

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL.)	DOCKET NO. 920260-TL
)	
)	
)	
In Re: Investigation into the integrity of SOUTHERN BELL's repair service activities and reports.)	DOCKET NO. 910163-TL
)	
)	
)	
In Re: Investigation into SOUTHERN BELL's compliance with Rule 25-4.110(2), F.A.C., Rebates.)	DOCKET NO. 910727-TL
)	
)	
)	
In Re: Show cause proceeding against SOUTHERN BELL for misbilling customers.)	DOCKET NO. 900960-TL
)	
)	
)	
In Re: Request by Broward Board of County Commissioners for extended area service between Ft. Lauderdale, Hollywood, North Dade, and Miami.)	DOCKET NO. 911034-TL
)	ORDER NO. PSC-94-0046-PHO-TL
)	ISSUED: 1/13/94
)	

Pursuant to Notice, Prehearing Conferences were held on December 20, 1993, and January 6, 1994, in Tallahassee, Florida, before Commissioner Susan F. Clark, as Prehearing Officer.

APPEARANCES:

R. DOUGLAS LACKEY, Esquire, and NANCY B. WHITE, Esquire, 675 West Peachtree Street, Suite 4300, Atlanta, Georgia 30375 and HARRIS R. ANTHONY, Esquire, c/o Marshall M. Criser, III, 150 South Monroe Street, Suite 400, Tallahassee, Florida 32301
On behalf of BellSouth Telecommunications, Inc., d/b/a Southern Bell Telephone and Telegraph Company.

CHARLES J. BECK, Deputy Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

1/13/94
(00425-94)

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MICHAEL A. GROSS, Assistant Attorney General, Department of Legal Affairs, Special Projects, PL-01 The Capitol, Tallahassee, FL 32399-1050

On behalf of the Attorney General of the State of Florida.

DONALD L. BELL, Esquire, 104 East Third Avenue, Tallahassee, Florida 32303

On behalf of The American Association of Retired Persons.

MICHAEL W. TYE, 106, East College Avenue, Suite 1410, Tallahassee, Florida 32301

On behalf of AT&T Communications of the Southern States, Inc..

ROBERT HOEYNCK, Assistant County Attorney, Broward County Board of Commissioners, 115 South Andrew Avenue, Suite 423, Fort Lauderdale, Florida 33301

On behalf of Broward County Board of Commissioners.

PETER Q. NYCE, JR., General Attorney, Regulatory Law Office, Office of The Judge Advocate General, U.S. Army Litigation Center, 901 North Stuart Street, Suite 400, Arlington, Virginia 22203-1837

On behalf of The United States Department of Defense/Federal Executive Agencies.

DAN B. HENDRICKSON, Post Office Box 1201, Tallahassee, Florida 32302 and MONTE E. BELOTE, Executive Director, Florida Consumer Action Network, 4100 West Kennedy Boulevard, #128, Tampa, Florida 33609-2243

On behalf of Florida Consumer Action Network.

LAURA L. WILSON, Regulatory Counsel, 310 North Monroe Street, Post Office Box 10383, Tallahassee, Florida 32302

On behalf of Florida Cable Television Association, Inc..

VICKI GORDON KAUFMAN, Esquire, McWhirter, Reeves, McGlothlin, Davidson & Bakas, 315 South Calhoun Street, Suite 716, Tallahassee, Florida 32301 and JOSEPH P. GILLAN, J.P., Gillan & Associates, Post Office Box 541038, Orlando, Florida 32854-1038

On behalf of The Florida Interexchange Carriers Association.

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BENJAMIN H. DICKENS, Blooston, Mordkofsky, Jackson & Dickens, 2120 L Street, N.W., Suite 300, Washington, D.C. 20037 and DOUGLAS S. METCALF, Class B Practitioner, Communications Consultants, Inc., 631 South Orlando Avenue, Suite 250, Post Office Box 1148, Winter Park, Florida 32790-1148

On behalf of Florida Ad Hoc Telecommunications Users' Committee.

KENNETH A. HOFFMAN, Esquire, Messer, Vickers, Caparello, Madsen & French, P.A., Post Office Box 1876, Tallahassee, Florida 32303-1876

On behalf of Florida Pay Telephone Association, Inc..

FLOYD R. SELF, Esquire, Messer, Vickers, Caparello, Madsen & French, P.A., Post Office Box 1876, Tallahassee, Florida 32303-1876

On behalf of McCaw Cellular Communications of Florida, Inc..

RICHARD D. MELSON, Esquire, Hopping, Boyd, Green & Sams, Post Office Box 6526, Tallahassee, Florida 32314 and MICHAEL J. HENRY, MCI Telecommunications Corporation, 780 Johnson Ferry Road, Suite 700, Atlanta, Georgia 30342

On behalf of MCI Telecommunications Corporation.

C. EVERETT BOYD, JR., Esquire, Ervin, Varn, Jacobs, Odom & Ervin, Post Office Drawer 1170, Tallahassee, Florida 32302 and CHANTHINA R. BRYANT, Esquire, Sprint, 3065 Cumberland Circle, Atlanta, Georgia 30339

On behalf of Sprint Communications Company Limited Partnership.

ANGELA B. GREEN, Esquire, TRACY HATCH, Esquire, ROBERT R. PIERSON, Esquire, and JEAN L. WILSON, Esquire, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0863

On behalf of the Commission Staff.

PRENTICE P. PRUITT, Esquire, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0862

On behalf of the Commissioners.

PREHEARING ORDER

I. CASE BACKGROUND

This docket was initiated pursuant to Order No. 25552 in Docket No. 911109-TL, to conduct a full revenue requirements analysis and to evaluate the Rate Stabilization Plan under which BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) has been operating since 1988. Order No. 25552 required that the Company file Minimum Filing Requirements (MFRs) on May 1, 1992. This was done; however, the Company notified the Commission in its test year request letter of March 25, 1992, that it would not be submitting its testimony or proposals at the time of the MFR filing. The Chairman subsequently approved a revised case schedule that required Southern Bell to submit its testimony and updated MFRs by July 15, 1992. The Company, in a letter dated April 10, 1992, waived the eight and twelve statutory time periods, and also agreed that all decisions in this case would be effective January 1, 1993.

As a result of the revised case schedule, hearings were set to begin January 25, 1993. Service hearings were held throughout Southern Bell's territory. During the January 8, 1993, Prehearing Conference, it was announced that the hearings in Docket No. 920260-TL were being rescheduled to begin during March, 1993.

Order No. PSC-92-1195-PCO-TL established the prehearing procedures for Docket No. 920260-TL. Order No. PSC-92-1320-PCO-TL, an additional order on prehearing procedure, stated that evidence relating to Dockets Nos. 900960-TL, 910163-TL, and 910727-TL would not be incorporated in the main hearings to be held in Docket No. 920260-TL. Rather, evidence relating to those dockets would be heard during hearings already scheduled for those dockets in April, 1993. Subsequently, the Commission voted to consolidate these four dockets for decisional and appellate purposes. See Order No. PSC-93-0390-FOF-TL.

During a motion hearing on March 5, 1993, the Commission voted to grant the Office of Public Counsel's (OPC's) Motion to Postpone Hearings. OPC's Motion pointed to numerous discovery disputes which have required a considerable period of time to resolve, including a number which have gone to the Florida Supreme Court for review. OPC asserted that such discovery was critical to preparation of its case. The Attorney General of the State of

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Florida supported OPC's Motion. The Commission's decision on OPC's Motion is reflected in Order No. PSC-93-0575-FOF-TL and resulted in rescheduling the hearings for these dockets to begin January 24, 1994, and to continue for approximately five weeks. The Company was directed to refile its MFRs by July 2, 1993. Service hearings have again been held throughout Southern Bell's territory.

Because the hearings had been postponed, the question then arose as to whether the revenues identified in Docket No. 880069-TL for permanent disposition in this proceeding should be revisited. By Order No. PSC-93-0588-FOF-TL, issued April 15, 1993, the Commission granted Southern Bell's Motion to Reinstitute Customer Credit. This action prevents accumulation of revenues, while reserving the decision for final disposition of revenues until after all of the evidence has been heard.

By Order No. PSC-93-1301-FOF-TL, issued September 8, 1993, the Commission determined it was appropriate to consolidate Docket No. 911034-TL into Docket No. 920260-TL. The Commission took this action in order to provide the hearing requested by the Florida Interexchange Carriers Association in the most expeditious fashion. The Commission also directed Southern Bell to conduct new traffic studies on the routes included in this docket.

The Order Establishing Procedure in these dockets was issued April 23, 1993 (Order No. PSC-93-0644-PCO-TL). This has been modified by the following orders: PSC-93-0921-PCO-TL, issued June 17, 1993; PSC-93-1538-PCO-TL, issued October 20, 1993; PSC-93-1567-PCO-TL, issued October 26, 1993; PSC-93-1725-PCO-TL, issued December 1, 1993; PSC-93-1726-PCO-TL, issued December 1, 1993; and PSC-93-1780-PCO-TL, issued December 13, 1993.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality

has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information.

Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 150 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

III. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all

parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

IV. ORDER OF WITNESSES

The following parties have requested that they be allowed to make opening statements and these requests shall be granted: BellSouth Telecommunications, Inc., D/B/A Southern Bell Telephone and Telegraph Company; Office of Public Counsel; Attorney General of the State of Florida; AT&T Communications of the Southern States, Inc.; Florida Consumer Action Network; The Florida Interexchange Carriers Associations; Florida Ad Hoc Telecommunications User's Committee; Florida Pay Telephone Association, Inc.; MCI Telecommunications Corporation; and Sprint Communications Company Limited Partnership. However, the parties shall be limited to a maximum of ten minutes apiece for such opening statements.

<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
<u>MON. JAN. 24</u>			
David Denton	Direct-Incentive Regulation	(25a-26)	SBT
Ruth Young*	Direct-WASSP Audit	(15a)	Staff
Randall Billingsley	Direct-Return on Equity	(9)	SBT
William Keck	Direct-Equity Ratio	(10, 13)	SBT
<u>TUES. JAN. 25</u>			
Mark Cicchetti	Direct-Cost of Capital	(9, 10)	FCTA

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
James Rothschild	Direct-Cost of Capital	(9, 13)	OPC
Ron Neil	Direct-Return on Equity	(9)	Staff
Randall Billingsley	Rebuttal-Cicchetti, Rothschild, Neil	(9, 13)	SBT
William Keck	Rebuttal-Cicchetti, Rothschild, Neil	(10, 13)	SBT
<u>WED. JAN. 26</u>			
John McClellan	Direct-Attrition	(23)	SBT
Walter Reid	Direct-Accounting	(1-8, 11-12, 14-14d, 15-15w, 16, 17e, 17h, 17j, 17l, 17o, 18-22, 24-24d)	SBT
<u>THURS. JAN. 27</u>			
Thomas DeWard	Direct-Accounting	(1-2, 6-6b, 8, 14, 14b, 14d-15, 15b-g, 15i-v, 15x-16, 17d, 18a-21, 21b-c, 24c)	OPC
Kim Dismukes	Direct-Affiliate Transactions	(15w, 17-17a, 17e-t)	OPC
James Currin	Direct-Depreciation	(3, 19)	OPC
<u>FRI. JAN. 28</u>			
Kathy Welch	Direct-Rate Case Audit	(15c-d, 15p, 15r)	Staff
Costas Panagiotopoulos	Direct-CPR Audit	(2a)	Staff

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Edward Delahanty	Rebuttal-DeWard	(15)	SBT
Walter Reid	Rebuttal-DeWard, K. Dismukes, Stewart, Poucher (260)	(1-8, 11-14, 14e, 15-17, 17d, 17h, 17i, 17l, 17m, 17t, 18-22, 24-24d)	SBT
Jerry Wilson	Rebuttal-K. Dismukes, Currin	(17, 17b-17c, 17j, 17o-q, 17s-t)	SBT
Stephen Budd	Rebuttal- K. Dismukes	(17, 17a, 17e-g, 17k, 17o)	SBT
J. Bradford Branch	Rebuttal- K. Dismukes	(17j, 17r)	SBT
<u>MON. JAN. 31</u>			
Tim Devlin/ Kathy Welch/ MaryRose Sirianni	Direct-NARUC Audit	(14d, 15c-d, 15l, 15p-r, 17, 17a-c, 17e-j, 17m, 17o-p, 21b)	Staff
<u>WED. FEB. 2</u>			
Michael Jansen	Subpoenaed (910163)		OPC/AG
Brenda Mitchell	Subpoenaed (900960)		OPC
Stephen Budd	Rebuttal-NARUC Audit		SBT
Bradford Branch	Rebuttal-NARUC Audit		SBT
Walter Reid	Rebuttal-NARUC Audit		SBT

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Jerry Wilson	Rebuttal-NARUC Audit		SBT
<u>THURS. FEB. 3</u>			
Nancy Sims	Direct-Rate Design	(27-38b)	SBT
Doug Metcalf	Direct-Rate Design	(26a-b, 28a-c, 29, 30b-c, 33a, 37)	Ad Hoc
David Dismukes	Direct-Demand Elasticities	(28a-b, 34)	Staff
<u>FRI. FEB. 4</u>			
Joseph Gillan	Direct-Pricing/ Competition	(2, 2b, 8, 19, 24c, 25b, 26, 28a, 28c, 29, 32a)	FIXCA
Mike Guedel	Direct-Pricing/ Rate Design	(24c, 28, 29)	ATT
Jack Spooner	Direct-Pricing	(24c, 29, 32a)	ATT
Don Wood	Direct-Pricing/ Competition	(28)	MCI
Fred Rock	Direct-Pricing/PIU	(14C, 29)	Sprint
<u>MON. FEB. 7</u>			
Susan Castro	Subpoenaed (900960)		OPC
Martha Thomas	Subpoenaed (900960)		OPC
Joseph Gillan	Rebuttal-D. Dismukes, Spooner		FIXCA
H.E. Grey, Jr.	Rebuttal-Gillan	(2b)	SBT

<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Nancy Sims	Rebuttal-Wood, Gillan, D. Dismukes, Metcalf, Rock, Gildea	(27-38b)	SBT
Calvin Monson	Rebuttal-Cornell	(26)	SBT
Andy Banerjee	Rebuttal- D. Dismukes	(34)	SBT
<u>TUES. FEB. 8</u>			
Don McDonald	Direct-Quality of Service	(39, 39a)	Staff
Nancy Pruitt	Direct-Customer Complaints	(39)	Staff
Wayne Tubaugh	Direct-Quality of Service	(39, 39a, 304)	SBT
Wayne Tubaugh	Rebuttal-McDonald, Pruitt	(39, 39a)	SBT
Gary Hoeltke	Customer Satisfaction Survey	(39, 403)	SBT
<u>WED. FEB. 9</u>			
Joseph Lacher	Direct-Corporate Culture	(39, 201, 204-206, 301, 303-307, 309-310, 401-404)	SBT
Robin Madden	Direct-Non-contact sales	(201-206)	SBT
Mark Cooper	Direct-Non-contact sales	(206)	OPC
Earl Poucher	Direct-Non-contact sales	(201-207)	OPC

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Carl Vinson	Direct-Non-contact sales	(201,205-206)	Staff
Barton Weitz	Rebuttal - Cooper	(206, 402)	SBT

THURS. FEB. 10

Mike Maloy	Direct-Non-contact Sales, Repair/Rebate	(201-207, 301-310, 401-404, 39, 39a)	AG
April Ivy	Direct-Repair/Rebate	(301, 305)	SBT
Earl Poucher	Direct-Repair/Rebate	(301-310, 401-404, 39)	OPC
Carl Vinson	Direct-Repair/Rebate	(301, 303-304, 306-307, 309-310, 402)	Staff
Elton Howell	Direct-Repair/Rebate	(301-302, 306, 309, 401b, 401c)	Staff

FRI. FEB. 11

James Powell	Subpoenaed (910163)	OPC/AG
Evelyn Kilgore	Subpoenaed (910163)	OPC
Katherine Roberts	Subpoenaed (910163)	OPC
Jerry Sontag	Subpoenaed (910163)	OPC
John Sainz	Subpoenaed (910163)	OPC
Paul White	Subpoenaed (910163)	OPC
Nicole Maxfield	Subpoenaed (910163)	OPC

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Shirley Johnson	Subpoenaed (910163)		OPC
Gary Swilley	Subpoenaed (910163)		OPC
 <u>MON. FEB. 14</u>			
Harry Gildea**	Direct-Pricing	(29, 33a, 33d)	DOD
Nina Cornell***	Direct-Pricing/ Competition	(26)	MCI
Michael Mann	Subpoenaed (900960)		OPC
Robert Herndon	Subpoenaed (900960)		OPC
Gary Maser	Subpoenaed (900960)		OPC
Larry Mixon, Jr.	Subpoenaed (900960)		OPC
Shelba S. Hartley	Subpoenaed (900960)		OPC
 <u>WED. FEB. 16</u>			
Denny Conners	Subpoenaed (900960)		OPC
Marsha Stewart	Subpoenaed (900960)		OPC
Wanda Futch	Subpoenaed (900960)		OPC
Nancy Gorniewicz	Subpoenaed (900960)		OPC
Linda Hunt	Subpoenaed (900960)		OPC
Donna Johnson	Subpoenaed (900960)		OPC
Mr. Don LaRotonda	Subpoenaed (900960)		OPC
 <u>THURS. FEB. 17</u>			
Howard Adams, Jr.	Subpoenaed (910163)		OPC
Cynthia Armel	Subpoenaed (910163)		OPC

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
James Ramsey	Subpoenaed (910163)		OPC/AG
Glovine Williams	Subpoenaed (910163)		OPC
Derrell R. Wilcox	Subpoenaed (910163)		OPC
Barbara Wichman	Subpoenaed (910163)		OPC
Judith Rote	Subpoenaed (910163)		OPC
Ivan Roberts	Subpoenaed (910163)		OPC
Linda Moniz	Subpoenaed (910163)		OPC
 <u>FRI. FEB. 18</u>			
Robert Minahan	Subpoenaed (910163)		OPC
Denise E. Crosby	Subpoenaed (910163)		OPC
Andrew Walker, III	Subpoenaed (910163)		OPC
Lawrence Potish	Subpoenaed (910163)		OPC
Allen McKeand	Subpoenaed (910163)		OPC
Maria D. Lee	Subpoenaed (910163)		OPC
Michael Jones	Subpoenaed (910163)		OPC
Annie Bush	Subpoenaed (910163)		OPC
Veronica Brady	Subpoenaed (910163)		OPC
 <u>MON. FEB. 21</u>			
Helen C. Vought	Subpoenaed (910163)		OPC
Crystal Smith	Subpoenaed (910163)		OPC
Betty Moore	Subpoenaed (910163)		OPC
Susan Eckhoff	Subpoenaed (910163)		OPC

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<u>Witness</u>	<u>Testimony</u>	<u>Issues #</u>	<u>Party</u>
Mary Dunn	Subpoenaed (910163)		OPC
Peter Murray	Subpoenaed (910163)		OPC
Mark Sheaf	Subpoenaed (910163)		OPC
Geraldine Littles	Subpoenaed (910163)		OPC
JoAnne Knowles	Subpoenaed (910163)		OPC

TUES. FEB. 22

Shirley Perring	Subpoenaed (910163)		AG
Robert Rupe	Subpoenaed (910163)		AG
John E. Bulko	Subpoenaed (910163)		AG
Hampton Booker	Subpoenaed (910163)		AG
Melanie Davis	Subpoenaed (910163)		AG
Donald Babair	Subpoenaed (910163)		AG
Harry Van Gordon	Subpoenaed (910163)		AG
Robert Fecht	Subpoenaed (910163)		AG
David E. Bailey	Subpoenaed (900960)		AG
Edward B. Olsen	Subpoenaed (900960)		AG

WED. FEB. 23

Robin Madden	Rebuttal-Cooper, Poucher	(2-1-206,402)	SBT
Michael Dowdy	Rebuttal-Poucher	(301)	SBT
C.J. Sanders	Rebuttal-Poucher, McDonald, DeWard	(39,301- 310,403)	SBT

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<u>THURS. FEB. 24</u>			
Wayne Tubaugh	Rebuttal-Poucher	(304,308)	SBT
Jerry Moore	Rebuttal-Poucher, Maloy, Howell	(301-302,305 -306,308)	SBT
Linda Isenhour	Rebuttal-Poucher, Maloy	(301,303,305 -307,402)	SBT
April Ivy	Rebuttal-Poucher, Maloy	(301,305,402)	SBT
C.L. Cuthbertson	Rebuttal-Poucher (960/163)	(205,305,402)	SBT
Earl Poucher	Rebuttal-Vinson		OPC
<u>FRI. FEB. 25</u>			
Earl Poucher	Direct-Incentive Regulation	(25a-26)	OPC
Steve Stewart	Direct-Incentive Regulation	(15p,25a)	OPC
Mark Cicchetti	Direct-Incentive Regulation	(25a-b,26)	FCTA
David Sappington	Rebuttal-Poucher (260), Cicchetti, K. Dismukes	(25a-b,26)	SBT
William Zarakas	Rebuttal-Poucher (260), Stewart	(26)	SBT
Joseph Lacher	Rebuttal-Poucher(260) Maloy, Cooper	(26,39,201,204 -206,301,303-307, 309-310,401, 403-404)	SBT

- * Ruth Young is available only on Jan. 24.
- ** Harry Gildea is available only after Feb. 7.
- *** Nina Cornell is available only on Feb. 14.

V. BASIC POSITIONS

BELLSOUTH TELECOMMUNICATIONS, INC., D/B/A SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY (SO. BELL): In adopting Southern Bell's Rate Stabilization Plan in 1988, the Florida Public Service Commission provided Southern Bell with enhanced incentives to operate with greater efficiency and creativity. This Commission created a framework for the sharing of earnings between Southern Bell and its subscribers in those instances in which greater efficiency resulted in greater Company earnings. The plan has helped to eliminate the economic disincentives inherent in traditional rate of return regulations, encouraged efficient performance by Southern Bell, and created additional incentive for Southern Bell to reduce costs and introduce new services.

Southern Bell is proposing that the Commission continue with the current form of regulation. The reasons for which the Commission approved the current incentive sharing plan are even more applicable today than they were in 1988. The telecommunications environment continues to change and competition continues to accelerate. In 1988, the Commission recognized the fundamental changes in the industry and allowed the Company to transition itself for these changes. In 1993, technology, strategic alliances and policy decisions have combined to solidify the Company's continuing requirements for earnings and pricing flexibility.

This proceeding also constitutes what historically would have been termed a general rate proceeding. Every aspect of the Company's operations has been available for review. Southern Bell's testimony demonstrates that its activities during the test year have been proper and that its rates are just and reasonable. Southern Bell's witnesses have demonstrated that Southern Bell's actual cost of equity is well above the Commission's last ratesetting point of 13.2% and that no rate reductions, other than those necessary to implement past Commission orders and Southern Bell's proposed reductions, are necessary or appropriate.

In addition, this proceeding also involves three investigative dockets (Docket No. 900960-TL, Docket No. 910163-TL, and Docket No. 910727-TL) concerning allegations improper conduct of certain of Southern Bell's employees regarding Southern Bell's trouble reporting and rebate process, as well as its non-contact sales program. Southern Bell itself discovered the improper conduct involved in these dockets. The Company fully investigated these matters, the customers affected were identified and fully compensated, and the appropriate legal authorities were notified. Where necessary, Southern Bell's procedures, practices, and systems were strengthened in order to ensure the quality and accuracy of the trouble reporting and rebate processes. As of July 1991, Southern Bell discontinued all non-contact sales programs. Further, an ethics education program has been implemented for all Southern Bell. All of these actions by Southern Bell will prevent the recurrence of these problems.

Importantly, while some parties may attempt to relate the alleged misconduct to the advent of Southern Bell's incentive regulation plan, the evidence is clear that the two matters are wholly unrelated. Indeed, it was the heightened focus on the customer caused by the incentive regulation plan that disclosed the problems identified in the investigation dockets. Nothing in those dockets should deter the Commission from continuing the regulatory progress that it initiated in 1988.

OFFICE OF PUBLIC COUNSEL (OPC): When uniquely provided incentive regulation by this Commission, Southern Bell engaged in fraudulent sales techniques and engaged in widespread falsification of the quality of service reports it submits to this Commission.

Southern Bell's quality of service during the incentive period compares poorly to the other large local exchange companies. In addition, comparisons of efficiency to the other local exchange companies in Florida based on operational revenue per average access line, O&M expense per average access line, and O&M expense to total operating revenues shows poor performance by Southern Bell. Finally, Southern Bell's quality of service in Florida compares poorly to the quality of service provided in the other states served by BellSouth Telecommunications.

The Commission must not reward Southern Bell for poor performance, abuse of its customers, and falsification of quality of service reports submitted to this Commission.

Even though long term bonds have declined by about 300 basis points since the Commission set Southern Bell's incentive return on equity range in November, 1988, Southern Bell unfairly seeks continuation of those same authorized returns. The Commission should reset the authorized return on equity of Southern Bell and use an optimal capital structure in doing so. As it exists now, the capital structure of Southern Bell contains far too much expensive equity capital.

Numerous adjustments should be made to the way Southern Bell computes its regulated earnings.

For example, with the creation of BellSouth Advertising and Publishing Company (BAPCO) after the legislature passed the directory advertising statute (§364.037, Florida Statutes (1993)), BellSouth shifted profits from regulated operations to unregulated operations. The Commission should consider the Florida directory advertising operation as a whole and recompute regulated earnings to reflect the 1982 level of directory advertising profits, adjusted for access line growth and the C.P.I., as contemplated by the legislature.

As another example, BellSouth dramatically lowered its interest costs by refinancing a large amount of debt in 1993. Southern Bell, however, seeks to quickly recognize issuance costs associated with the new debt so that the cost of issuance exactly offsets the savings in interest, thereby insuring that customers receive no benefit from the lower interest costs when the Commission sets Southern Bell's rates. The Commission should not allow that result.

Southern Bell's rates should be decreased by at least \$454 million dollars. A penalty should be imposed for fraudulent and/or abusive sales techniques, as well as falsification of quality of service reports submitted to this Commission.

Finally, the Commission should order a step decrease in rates during 1995 and 1996. By 1996 Southern Bell projects savings in excess of cost from its re-engineering program of over \$130 million dollars on a Florida combined basis. Step decreases to recognize these near term savings are consistent with Commission decisions over the last two years. For example, in the last two major electric rate cases the Commission allowed step increases to recognize projected cost. In this case Southern Bell is projecting reductions in costs that are not needed to provide reliable service

in the near future. The Commission should recognize these large, near term expense reductions by ordering step decreases in rates, just as the Commission has ordered near term rate increases in electric cases.

ATTORNEY GENERAL OF THE STATE OF FLORIDA (ATTY. GEN.): The Commission did not have authority to approve the incentive profit provisions of Southern Bell's current incentive rate scheme and it still lacks statutory authority to approve the similar excessive profit incentives requested in the pending petition. Operating efficiency is not an aspiration to be rewarded by excessive profits. It is statutorily mandated for all regulated utilities, Southern Bell included, and at the price of reasonable profits.

The 1990 revisions to Chapter 364, Florida Statutes, demand a finding that an alternative method of regulation include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services. Such a finding is a statutory, mandatory prerequisite, which has not been met here. Secondly, there is no showing, as required by Section 364.036(2)(c), Florida Statutes, that Southern Bell's alternative method will provide identifiable benefits to consumers not otherwise available under existing regulatory procedures. It is the Attorney General's position that any such benefits must be either new substantive monopoly telecommunications services not offered by the other companies, which are governed by traditional ratemaking, or operating efficiencies that substantially exceed that of other companies. Absent these two findings, alternative regulation (excessive profit or not) cannot be approved.

The alternative method of regulation sought here would result in reduced regulatory oversight by the Commission, when recent history suggests that more rather than less regulatory oversight is indicated. A Southern Bell settlement with the Office of the Statewide Prosecution involved allegations of sales fraud, customer misbilling, and fraudulent repair reports occurring during Southern Bell's incentive regulation. Under incentive regulation, Southern Bell's misconduct was neither discovered nor rectified by this Commission although the facts were reported to the Commission by a so-called "whistleblower."

It would be irresponsible to grant Southern Bell reduced regulatory flexibility in the face of its recent history. Regulatory prudence would dictate a return to the same full rate base regulation governing every other utility in this State.

Incentive regulation has failed to achieve its goals of efficiency and quality of service by providing the wrong incentives. On the contrary, this alternative method of regulation has promoted and fostered an environment at Southern Bell where quality of service and ethical conduct have been subordinated to higher earnings. Moreover, incentive regulation has failed to produce revenue sharing for customers.

Incentive regulation contemplates reward for exemplary behavior, not for fraud and mismanagement. Fraud and mismanagement should be punished rather than rewarded. Therefore, Southern Bell should be removed from incentive regulation and punished by imposition of penalties, including an equity penalty, in the event that the allegations of fraud and mismanagement are sustained. Additionally, the Commission should institute more effective monitoring and auditing procedures similar to those contained in the Settlement Agreement between Southern Bell and the Office of Statewide Prosecution in order to prevent a recurrence of any further misconduct.

THE AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP): AARP opposes continuing Southern Bell's plan of incentive regulation and would prefer that the Commission reinstitute traditional rate of return regulation. As to the specific issues identified, herein, AARP adopts the positions of the Office of Public Counsel as its own positions.

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC. (AT&T): For the past ten (10) years, AT&T has maintained that Southern Bell's intrastate access charges, and, indeed, all intrastate access charges in Florida, are priced at excessive levels which unfairly penalize IXCs and users of intrastate interexchange services. The Commission has recognized the need to deal with this problem and has made some progress towards lowering intrastate access charges. However, there is still much to be done.

This case presents a unique opportunity for the Commission to deal with the excessive level of intrastate access charges and to take an affirmative step towards alleviating this problem. In this case, the Commission should immediately reduce Southern Bell's intrastate access charges to at least the level of its interstate access rates. Such action will produce a reduction in intrastate access charges of approximately \$110 million per year. The competitive interexchange market will insure that interexchange customers benefit from this cost reduction.

In addition to going-forward access charge reductions, IXCs should be allowed to share in any refunds of excess 1993 revenues produced as the result of the Commission's final disposition of this case. This case was originally scheduled for hearings in early 1992 with a final resolution by mid-1992. By the time that this case is finally decided, delays brought about by the consolidation of this docket with various other dockets will mean that the needed access charge reductions have been deferred for an additional period of approximately two (2) years. To compensate for this delay, the Commission should apply the access charge levels ultimately found to be appropriate to 1993 usage and make a refund of such excess charges to the IXCs. AT&T has committed to use such refund revenues to benefit its customers.

Finally, AT&T submits that Southern Bell's proposed Expanded Local Service (hereinafter "ELS") Plan is contrary to the public interest. The ELS plan is simply an ill-disguised attempt to "re-monopolize" the provision of toll service throughout a significant portion of Southern Bell's operating territory. Consequently, the plan should be rejected.

BROWARD COUNTY BOARD OF COMMISSIONERS (BROWARD COUNTY): The Board of County Commissioners will neither attend nor present evidence at the hearings scheduled to commence on January 24, 1994. Rather, the Board requests that the Public Service Commission (PSC) continue to study Issue 32a and that the PSC consider the traffic study data submitted by Southern Bell.

THE UNITED STATES DEPARTMENT OF DEFENSE/FEDERAL EXECUTIVE AGENCIES (DOD/FEA): The FEA's position is that the individual rate elements that are aggregated to provide a complete service should be priced at or very close to their costs, particularly in the increasingly competitive telecommunications environment.

FLORIDA CONSUMER ACTION NETWORK (FCAN): It's time to bring Southern Bell's rates into line with the economic and technological realities of the 90's.

While every other telephone company in Florida has rates based on their reasonable and prudent costs plus a fair rate of return on their investment in their network, Bell has enjoyed a special Incentive Regulation Plan. If done right, this plan would have led to improved quality of service, rewarded workers for increased efficiency, and produced shared savings for customers. Instead, the current plan has led to falsified repair orders because of

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Bell's inability to meet quality of service standards, intimidation of workers to sell services that customers didn't want, and customer rip-offs so blatant that they led to an investigation by the Statewide Grand Jury. The Commission should impose a substantial penalty against Bell for these fraudulent and abusive sales practices and falsified repair orders.

Southern Bell's current Incentive Regulation Plan has failed to produce any measurable benefit to consumers; the Company should be returned to the same basic rate of return regulation which applies to every other local exchange carrier in Florida. Additionally, Southern Bell's current return on equity is simply obscene in light of today's declining economy; Bell has historically earned near 14% after taxes while its customers are lucky to receive a 3-4% return on their investments before paying Uncle Sam.

Touchnet telephone service charges should be eliminated; there is simply no justification to continue charging \$1 per month per line for a "service" which costs virtually nothing given today's digital networks.

Despite the Company's rhetoric, their proposal for Extended Local Service is not an appropriate response to customer demands for changed calling patterns. What customers want is expanded area flat-rate local calling.

FCAN absolutely opposes the implementation of local measured service, even in the so-called "optional" plan proposed by Southern Bell. To grant this request is to open a Pandora's box which we believe will ultimately lead to "installing a pay phone" in the living room of every Southern Bell customer.

Southern Bell's proposed rate reductions do not go nearly far enough. The Commission should closely scrutinize what Bell submits are "reasonable and prudent costs." We do not believe that ratepayers receive better telephone service because of chauffeur service for executives, sponsorship of major sporting events, lobbying expenses of industry associations, public relations consulting, or the excessive rate case expenses generated by Bell's ongoing foot-dragging in turning over documents to Commission Staff, Public Counsel, and the Attorney General. Whatever rate reductions are ultimately ordered should result in widespread reductions in basic rates and charges, as opposed to narrowly focused cuts in rates which benefit only a select few customers.

Previous Commission's have been overly generous in awarding rates and depreciation schedules to Bell which have allowed the Company to build substantial fiber optic networks at the expense of monopoly ratepayers -- which do not provide noticeably better telephone service to most customers, but rather are designed to compete for future profits with the cable television and data services industries. We urge the Commission to critically analyze this filing to restore fairness to Bell's customers, and leave their stockholders to pay the cost of upgrading Bell's network to compete in non-regulated arenas.

FLORIDA CABLE TELEVISION ASSOCIATION, INC. (FCTA): The FCTA's primary focus in this proceeding is upon issues relating to incentive regulation, equity ratio and cost of capital. With respect to incentive regulation, the current plan is inadequate. The plan should have resulted in lower costs and more improved services consistent with the goals enumerated in Order No. 20162. Such goals have not been achieved. Therefore, Southern Bell's incentive regulation plan should either be suspended or should be modified.

With respect to the appropriate allowed return, the Commission should lower the authorized return on equity consistent with lowered capital costs. The appropriate cost of common equity capital for Southern Bell is within the range of 9.55% to 10.20%. The midpoint of this range, 9.90%, should be allowed for ratemaking purposes.

THE FLORIDA INTEREXCHANGE CARRIERS ASSOCIATIONS (FIXCA): FIXCA will address three major areas in this docket. First, FIXCA addresses the current incentive regulation plan and recommends that it not be renewed unless Southern Bell's rates are recalibrated and the plan incorporates a "sharing" mechanism so that access customers have an opportunity to benefit from growth.

Second, FIXCA takes exception to the expanded "local" service (ELS) proposal offered by Southern Bell and recommends that the proposal be rejected. This proposal requires a customer to accept local measured service in order to receive lower toll prices and requires the customer to receive those lower prices only from Southern Bell. The proposal violates this Commission's access imputation policy because it allows Southern Bell to capture consumers by using predatory price levels. If the Commission desires lower toll prices, it should reduce Southern Bell's access charges; in order to reduce the number of EAS petitions the

Commission receives it should expand competition by implementing 1+ presubscription. Approval of Southern Bell's proposal would significantly reduce interexchange competition as well as create pressure to expand the proposed plan beyond 40 miles.

Third, FIXCA describes Southern Bell's corporate network. Southern Bell has constructed a "private" toll network which exceeds the capacity needed for its own use. Thus ratepayers appear to be subsidizing Southern Bell's potential reentry into the long distance market. The Commission should remove the undepreciated value of the dark fiber in Southern Bell's private network from rate base so ratepayers stop paying for this strategic investment.

FLORIDA AD HOC TELECOMMUNICATIONS USER'S COMMITTEE (FLA AD HOC): Ad Hoc states that Southern Bell Telephone Company ("SBT" or "Company") and the Commission must begin to cost and price business exchange and private line services in a manner appropriate for an evolving competitive market. A threshold requirement for such pricing is the consistent application of costing and pricing methodologies for these services. Under SBT's current tariffs, these methodologies are inconsistently applied and hence, are flawed.

FLORIDA PAY TELEPHONE ASSOCIATION, INC. (FPTA): The FPTA's primary focus in this proceeding is on the interconnection rates and usage charges non-LEC pay telephone providers pay to Southern Bell. Charges for Billed Number Screening and Touchtone service should be eliminated. Southern Bell's optional ELS plan should be approved, if amended, to eliminate the \$12.00 minimum usage charge required under the 50 percent discount option. The \$12.00 minimum usage charge serves to impede the Commission's goal of increasing the number of pay telephones placed at public interest locations. This result obtains because public interest pay telephones typically experience low calling volumes thereby paying more than high volume pay telephones which are more likely to fully utilize the \$12.00 minimum charge as a credit against usage charges under the Optional ELS plan. The Commission should not condone such discrimination inherent in Southern Bell's request to implement usage sensitive pricing. Further, approval of the optional ELS plan, as amended, should also be conditioned on the requirement that Southern Bell impute the cost and contribution reflected in the rates paid by non-LEC pay telephone providers to its own pay telephone service. Finally, Southern Bell should be required to provide non-LEC pay telephone providers itemized, detailed bills for local and 0+

intraLATA calls including the number called, date of call and the total length of time of the call.

McCaw Cellular Communications of Florida, Inc. (McCaw): McCaw's interest in this proceeding is limited to only a few of the issues identified in the December 1, 1993 Additional Order on Prehearing Procedure. Specifically, McCaw's interest in this docket is limited to those issues pertaining to mobile interconnection rates (Issue 29), the review of the rate stabilization plan (Issues 25a and 25b), and the proposed continuation of the current form of regulation (Issue 26). If the Commission approves the petition and tariff now pending in Docket No. 930915-TL, then no further changes in the mobile interconnection rates are necessary in this docket. As for the incentive regulation issues, the currently effective incentive regulation plan has failed to provide identifiable, positive benefits. Alternative regulatory treatment may be appropriate for the competitive services provided Southern Bell fully complies with sections 364.338 and 364.3381.

MCI Telecommunications Corporation (MCI): MCI does not object to continuing the current incentive regulation plan for Southern Bell so long as the Commission simultaneously begins to design a regulatory structure that appropriately responds to present and future competition. Such a structure should be designed to protect monopoly ratepayers, eliminate artificial barriers to the development of competition, and prevent discriminatory pricing of the bottleneck monopoly functions provided by the local exchange network. The two key elements of such a structure are (a) the unbundling of local exchange company services into their basic network building blocks, and (b) the pricing of those building blocks on a nondiscriminatory basis for all business users.

The "optional expanded local service" proposal made by Southern Bell, which couples a 7-digit toll discount plan with local measured service, should not be approved. Instead, the Commission should adopt a local/toll rate design which includes flat rate 7-digit local calling provided by Southern Bell within expanded local calling areas, and 1+ 10-digit long distance calling provided by the presubscribed carrier of the customer's choice for all intraLATA calling outside the flat rate local calling area. Until Southern Bell implements intraLATA presubscription, the Commission should permit customers to designate their choice for carriage of their "1+" dialed intraLATA toll calls. Where that choice is an interexchange carrier, Southern Bell could be accessed by dialing an access code.

SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP (SPRINT):

Sprint's interest in this docket is limited solely to the areas of IXC's percentage of interstate usage ("PIU") and switched access rates and toll services. Southern Bell's filing provides for only a slight reduction in access rates. In fact, the proposed distribution of the \$49 million customer credit does not even address access services. It is Sprint's position that Southern Bell's access rates, especially for switched services, should be reduced under the framework of the Incentive Regulation Plan, if continued. Sprint also urges the Commission to require a portion of the revenue reduction be targeted to access rates. Sprint believes that the long-term viability of interexchange carriers ("IXCs") in Florida will depend largely on reductions in the cost of switched access which would, in turn, foster a more competitive long distance marketplace. Likewise, Southern Bell's long term viability will depend, to some extent, on its ability to reduce its access rates to compete effectively.

STAFF: Pursuant to order of this Commission, Southern Bell has filed its Minimum Filing Requirements. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine the appropriateness of all of Southern Bell's proposals. At this point in the proceedings, however, Staff believes that some significant rate reductions are in order. A reasonable Return on Equity would be approximately 10.8%, based on the testimony of staff witness Ron Neil. Southern Bell's Optional Expanded Local Service proposal should not be approved. Staff will take no position on DN 911034-TL, the Broward County Commission's request for EAS relief, until after the traffic study is completed and the results submitted to staff. Finally, Staff will take no position on the Company's proposal to continue its current form of regulation, i.e., rate of return with an expanded range of allowed earnings, until all the evidence has been heard in DN 900960-TL, 910163-TL, and 910727-TL, and the accuracy of the required quarterly performance reports to the Commission has been determined.

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

GENERAL ISSUES

ISSUE 1: Is the test year ended December 31, 1993, an appropriate test year?

SO.BELL: Yes. The test year ended December 31, 1993, properly adjusted, is the most appropriate test year for this proceeding because it represents the most current and reliable financial data available.

OPC: Yes, but only if maintenance expenses deferred from 1992 to 1993 on account of Hurricane Andrew are eliminated from the 1993 budget. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

RATE BASE

Plant in Service

ISSUE 2: What is the appropriate amount of plant in service for the test year?

SO.BELL: The appropriate amount of plant in service for the test year is \$7,049,650,000 as shown on updated MFR Schedule A-2a dated October 1, 1993.

OPC: Southern Bell's budgeted rate base should be adjusted for those items shown on DeWard's Schedule 1. (DeWard)

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: The Commission should disallow from plant in service the amount attributable to that portion of Southern Bell's interLATA internal company network which is not needed for Southern Bell's own private internal communications. See Issue 2b. (Gillan)

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

ISSUE 2a: What adjustment, if any, should be made to plant in service, depreciation reserve and expense to account for plant investments shown on Southern Bell's Continuing Property Record System (CPR) for Circuit Other Account that does not represent physical plant in service?

SO.BELL: No adjustment is required or appropriate inasmuch as no specific problems have been identified regarding the Company's CPR records.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

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STAFF: No position at this time pending completion of staff's Continuing Property Records audit.

ISSUE 2b: Is Southern Bell's investment in its interLATA internal company network prudent, reasonable, and necessary to enable it to provide service to ratepayers? If not, what action should the Commission take?

SO. BELL: Yes. Southern Bell's investment is prudent, reasonable and necessary. No action need be taken by the Commission.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No. Southern Bell's investment in its interLATA company network is not prudent, reasonable or necessary to enable it to provide service to its ratepayers. Under the MFJ, Southern Bell was permitted to construct and operate an interLATA network for its internal communication needs only. However, discovery has shown that Southern Bell has constructed a fiber-optic network with excess capacity which is unnecessary to meet Southern Bell's internal needs.

The Commission should remove the undepreciated value of the dark fiber from Southern Bell's rate base so that ratepayers cease paying for this

strategic investment. The Commission may also want to consider additional remedies (such as reducing the rate base by original cost plus interest) to assure that ratepayers have been fully reimbursed for the cost of the network if, and when, it is put to competitive use. (Gillan)

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No. Southern Bell's interLATA network is much larger than needed for the limited legally-permissible uses of that network today. While Southern Bell's stockholders may believe that it is prudent to install a network capable of allowing Southern Bell to reenter the interLATA toll market in the event the MFJ's "line of business" restrictions are lifted, it is not reasonable for monopoly ratepayers to pay for this strategic positioning.

SPRINT: No position at this time.

STAFF: No. Certain portions of Southern Bell's interLATA internal company network have been over built. The investment associated with these links should be excluded from rate base.

Depreciation Reserve

ISSUE 3: What is the appropriate amount of depreciation reserve for the test year?

SO.BELL: The appropriate amount of depreciation reserve for the test year is \$3,044,033,000 as shown on updated MFR Schedule A-2a dated October 1, 1993.

OPC: Southern Bell's budgeted depreciation reserve should be adjusted for the large variance between actual retirements and budgeted retirements. (Currin).

ATTY. GEN.: No position at this time.
AARP: No position at this time.
AT&T: No position at this time.
BROWARD COUNTY: No position at this time.
DOD/FEA: No position at this time.
FCAN: No position at this time.
FCTA: No position at this time.
FIXCA: No position at this time.
FLA AD HOC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: No position at this time.

Plant Under Construction

ISSUE 4: What is the appropriate amount of construction work in progress for the test year?
SO.BELL: The appropriate amount of construction work in progress for the test year is \$34,223,000 as shown on updated MFR Schedule A-2a dated October 1, 1993.
OPC: No position at this time.
ATTY. GEN.: No position at this time.
AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: The appropriate amount of construction work in progress for the test year is \$34,223,000 as filed on July 2, 1993.

Property Held For Future Use

ISSUE 5: What is the appropriate amount of property held for future use for the test year?

SO.BELL: The appropriate amount of property held for future use for the test year is \$179,000 as shown on updated MFR Schedule A-2a dated October 1, 1993.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: The appropriate amount of property held for future use for the test year is \$179,000 as filed on July 2, 1993.

Working Capital

ISSUE 6: What is the appropriate amount of working capital allowance for the test year?

SO.BELL: The appropriate amount of working capital for the test year is \$5,381,000 as shown on updated MFR Schedule A-2a dated October 1, 1993.

OPC: Working capital should be adjusted by those applicable ratebase items shown in DeWard's Schedule 1. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 6a: Should the Company be allowed to include the unamortized portion of deferred Hurricane Andrew expenses in working capital?

SO.BELL: Yes. The inclusion of the unamortized portion of deferred Hurricane Andrew expenses in rate base is necessary in order for the Company to be given the opportunity to recover its costs associated with catastrophic events such as this.

OPC: The cost of Hurricane Andrew should be written off in 1992 in accordance with generally accepted accounting principles. Accordingly, Southern Bell's proposed ratebase should be decreased by the unamortized amounts of Hurricane Andrew deferrals. This accounting treatment is consistent with Southern Bell's treatment of Hurricane Andrew for the Florida interstate jurisdiction, the intra and interstate treatment in Louisiana (the other state sustaining damage from Hurricane Andrew), and the

treatment afforded non-regulated operations in
Florida. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 6b: Should the Company be allowed to include the
balance for unamortized deferred compensation
absences in working capital?

SO.BELL: Yes. The inclusion of deferred compensated
absences in the working capital calculation is
necessary to properly identify the Company's cash
working capital, in accordance with the balance
sheet approach as prescribed by the Florida Public
Service Commission.

OPC: For financial reporting purposes, generally accepted accounting principles required the adoption of SFAS 43 for compensated absences for years beginning after December 15, 1980. Had Southern Bell followed generally accepted accounting principles in its PSC financial reports, there would be no unamortized balance for compensated absences now. Without gaining permission of the Commission, Southern Bell started following SFAS 43 only in 1988. Since Southern Bell chose not to follow SFAS 43 when it became part of generally accepted accounting principles and did not receive permission from the PSC to start following SFAS 43 seven years later, the amount of unamortized deferred compensated absences should not be allowed in working capital. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 6c: Should accrued dividends be added back in the computation of the working capital?

SO.BELL: Accrued dividends have been properly excluded from cost-free liabilities in the computation of working capital and have been properly included in the capital structure because they are part of capital until paid. This treatment is in accordance with the Commission's policy on this issue.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 7: Should the unfunded FAS 106 liability reduce rate base?

SO.BELL: Yes. The liability or asset created by the difference between the funded amount and the expense amount associated with SFAS 106 should be included in the calculation of the working capital component of rate base.

OPC: Yes.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. In accordance with Rule 25-14.012, F.A.C., the unfunded FAS 106 liability should reduce rate base.

ISSUE 8: What is the appropriate amount of rate base for the test year?

SO.BELL: The appropriate adjusted rate base for the test year is \$4,045,430,000 as shown on Company Witness Reid's Exhibit WSR-2 filed October 1, 1993.

OPC: Southern Bell's budgeted ratebase should be adjusted for those adjustments shown in DeWard's Schedule 1. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: See Issue 2b. The Commission should remove the undepreciated value of the dark fiber from Southern Bell's rate base. (Gillan)

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

COST OF CAPITAL

ISSUE 9: What is the appropriate cost of common equity capital for Southern Bell?

SO.BELL: The appropriate point estimate for the cost of common equity capital for Southern Bell is in the range of 13.9% to 14.18% with a mid-point of 14.0%.

OPC: Southern Bell's cost of common equity capital is 10.4% only if the Commission adopts an optimal capital structure of 42.5% equity. Otherwise, the appropriate cost of equity for Southern Bell is 9.7%. (Rothschild).

ATTY. GEN.: The Attorney General joins and adopts the position of Public Counsel as stated in its prehearing statement and in the testimony of its witness, James A. Rothschild, as to the appropriate cost of common equity capital for Southern Bell.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The appropriate cost of common equity capital for Southern Bell is not more than 10.4%.

FCTA: The appropriate cost of common equity for Southern Bell is within the range of 9.55% to 10.20%. The midpoint of this range, 9.90%, should be allowed for ratemaking purposes.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: According to Staff witness Neil, a reasonable return on equity for the Company is 10.8%.

ISSUE 10: Is Southern Bell's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

SO.BELL: The Company's proposed test year equity ratio, which is based on the actual average Company capital structure, is prudent and reasonable and should be adopted.

OPC: No, Southern Bell's capital structure contains far too much equity at the expense of its ratepayers. The Commission should adopt an optimal equity ratio of 42.5%.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No. Southern Bell's equity ratio should be reduced in fairness to its ratepayers.

FCTA: No. Southern Bell's equity ratio should be set at 58.00% of investor capital.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 11: Is Southern Bell's balance of accumulated deferred investment tax credits, prior to reconciliation to rate base, appropriate?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 12: Is Southern Bell's balance of accumulated deferred taxes, prior to reconciliation to rate base, appropriate?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 13: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year?

SO.BELL: The appropriate weighted average cost of capital for the test year is 9.35% as shown in Company Witness Keck's Exhibit WBK-4.

OPC: The Commission should adopt the optimal capital structure for Southern Bell described in the testimony of James Rothschild. (Rothschild).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

NET OPERATING INCOME

Operating Revenue

ISSUE 14: What is the appropriate amount of operating revenue for the test year?

SO.BELL: The appropriate amount of operating revenue for the test year is \$2,417,715,000 as shown on Company Witness Reid's Exhibit WSR-2 filed October 1, 1993.

OPC: The Commission should adopt those adjustment to operating revenue shown on DeWard Schedule 1. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 14a: Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 14b: How should employee concessions be treated for ratemaking purposes?

SO.BELL: Employee concessions are prudent and beneficial. Their allowance is consistent with past Commission practices and should be allowed in the cost of service for the test year.

OPC: The Commission should increase revenues for foregone concession revenue because Southern Bell's employee benefits are already adequate, if not excessive, and ratepayers should not bear the additional burden associated with these foregone revenues. Telephone companies are the only utilities providing free or discounted service to

their employees, and utility companies have the highest cost of employee benefits per employee of any industry. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Employee concessions should be recognized as revenue to the Company and be treated as an expense, thus subject to jurisdictional separation.

ISSUE 14c: Should an adjustment be made to intrastate revenues for the test period to recognize adjustments to IXC's percentage interstate usage (PIU)?

SO.BELL: No. The test year operating revenues represent reasonable forecasted amounts for 1993 and actual monthly amounts are closely tracking the forecast.

OPC: Yes.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: Yes. It is Sprint's position that Southern Bell should adjust test period access revenues to reflect the PIU changes resulting from the investigation of an IXC. The test period revenue requirement should be adjusted to account for the shift of jurisdictional demand and the resulting cost shifts.

STAFF: Yes. Intrastate revenues should be adjusted to recognize the PIU adjustments.

ISSUE 14d: What is the appropriate amount of gross directory advertising profit that should be included in the test period?

SO.BELL: The appropriate amount of directory advertising revenues for the test year is \$226,727,678 as shown on MFR Schedule C-27, dated July 2, 1993.

OPC: The Commission should make three adjustments to gross directory advertising profit.

First, the Commission should compute directory advertising revenues and expenses generated from Florida operations without regard to BAPCO. When the Florida Legislature passed section 364.037, Florida Statutes, BAPCO did not even exist. Southern Bell used the creation of this company to syphon off grossly excessive profits to its non-regulated affiliated BAPCO at the expense of regulated ratepayers. This is a classic case of the Company attempting to shift profits from regulated operations to non-regulated operations solely to avoid recognition of those profits in a rate case. Once the Florida operations are considered in their entirety, ratepayers are entitled to the full amount of directory advertising revenues as defined in Section 364.037, Florida Statutes, adjusted to 1993 for growth in the consumer price index and in access lines. This would be consistent with the Commission most recent order in the GTE rate case.

Second, by recognizing expenses at BAPCO instead of at the regulated company, Southern Bell fails to separate expenses between the intrastate and interstate jurisdictions. In effect, all the expenses remain intrastate. An adjustment should be made to recognize the separation of these expenses between the interstate and intrastate jurisdiction that would be made if the company had not shifted the expenses to BAPCO.

Third, an adjustment should be made for direct expenses not recorded in account 6622.1. (DeWard)

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 14e: In the event that the Commission changes the current regulatory practice regarding the inside wire operation, how should that change be treated for ratemaking purposes?

SO.BELL: No change is required in the current regulatory practice regarding inside wire, however, if a change is made, it should be treated for ratemaking purposes on a prospective basis at the time the change is made.

OPC: The Commission should set aside sufficient revenues subject to refund to protect ratepayers pending the resolution of the inside wire rule making docket. In addition, the Commission should designate specific rate reductions to be put into effect should the Commission impute the revenues and expenses associated with simple inside wire maintenance in the rulemaking docket. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should set aside sufficient revenues subject to refund to protect ratepayers pending the resolution of the inside wire rulemaking docket.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: In the event that the Commission changes the current regulatory practice regarding the inside wire operation, the impact of the change should be held subject to refund.

Operation & Maintenance Expense

ISSUE 15: What is the appropriate amount of O&M expense for the test year?

SO.BELL: The appropriate amount of O&M expense for the test year is \$1,236,683,000 as shown on MFR Schedule C-1b filed on October 1, 1993.

OPC: The Commission should adopt those adjustment to O&M expense indicated on DeWard's Schedule 1. (DeWard).

ATTY. GEN.: No position at this time.

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AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

ISSUE 15a: Are the allocations to non-regulated operations reasonable?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 15b: What adjustment, if any, should be made to expenses for USTA and FTA dues?

SO.BELL: USTA and FTA dues are included in the test year expenses as prudent and reasonable business costs. No adjustment should be made to the test year amounts.

OPC: Fifty percent of the dues paid to the United States Telephone Association (USTA) and the Florida Telephone Associate (FTA) should be removed from test period expense. This is a conservative amount and removes the dollars attributable to lobbying activities and other campaigns which have no value to ratepayers. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD

COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The expense for USTA and FTA dues should be reduced to remove any amounts allocated to lobbying and public relations activities which have no value to ratepayers.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: A portion of USTA dues associated with activities such as lobbying, public relations, contributions, and meals and entertainment should be disallowed for ratemaking purposes. No position at this time regarding FTA dues.

ISSUE 15c: Is the amount of lobbying and other political expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

SO.BELL: Yes.

OPC: No, certain expenses should be removed from the test year. For example, sponsorship of a T.V. program known as Watch on Washington should not be charged to ratepayers. It should be classified either as a contribution or as image building advertising. Also, payments made to Burson Marsteller, made to offset the negative public impact of the Attorney General's investigation,

should not be passed through to ratepayers. See DeWard, Schedules 34 and 37. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No amount of lobbying or political expenses are appropriate for ratemaking purposes.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Expenses associated with lobbying and political activities, if any, should be removed for ratemaking purposes.

ISSUE 15d: Is the amount of advertising and public relations expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

SO. BELL: Yes.

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OPC: No, a number of expenses for advertising and public relations should not be charged to ratepayers. For example, payments such as a payment to "Forward Atlanta" and a payment to the Orange Bowl committee to sponsor the president's ball should not be allowed. Numerous other sponsorship, such as the to the PGA Seniors Tennis Championship to sponsor a PGA Seniors Golf Championship, should not be included. In addition, payments to Chambers of Commerce should not be allowed. Extravagant charges to the Tabasco Country Store for tabasco gift boxes handed out to attendees at a USTA conference should not be allowed. See DeWard Schedules 34, 37 and 38. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: In these tight economic times, advertising and public relations expenses should be carefully scrutinized to ensure that basic telephone service is improved and that there are net positive revenues resulting from any such expenses. Sponsorship of major sporting events and memberships in numerous Chambers of Commerce do not improve basic telephone service, and should be disallowed, along with any and all expenses which are primarily image-enhancing.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15e: Does the level of legal, injury, and damage claims expense represent a reasonable and necessary ongoing level?

SO. BELL: Yes.

OPC: No, certain legal fees and outside consulting expenses related to the Attorney General investigation and the Davis Antitrust Case should not be allowed. See DeWard Schedule 35. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No, legal fees and consulting expenses resulting from the Attorney General's investigation should be borne solely by the Company, not its ratepayers.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15f: What is the appropriate treatment of the Company's promotional expenses, sponsorships, charitable contributions and other miscellaneous expenses?

SO.BELL: The Company has excluded its promotional expenses, sponsorships, and charitable contributions from the test year cost of service. No further adjustment to test year cost of service is necessary.

OPC: No, the large variety of sponsorship and payments to Chambers of Commerce should not be charged to ratepayers. Additional payments to O.C. Tanner for anniversary gifts, service awards and retirement gifts also should not be passed on to ratepayers. Neither should the cost of sponsoring local golf tournaments be charged to ratepayers, nor the cost of chauffeur service or the allocated cost of the Club Suite at the Georgia Dome. See DeWard Schedules 34, 38, 41 and 42. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Any promotional and charitable contributions which Southern Bell should choose to make should be borne solely at the expense of their shareholders. Such expenses are not appropriate for ratemaking; customers have the right to make their own choices as to which promotional or charitable causes they choose to support. Chauffeur service and the cost

of a Club Suite at the Georgia Dome do not improve basic telephone service and are entirely inappropriate.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Expenses associated with promotional activities, sponsorships, and contributions, if any, should be removed for ratemaking purposes.

ISSUE 15g: Are the test year expenses for software reasonable?

SO.BELL: Yes.

OPC: No, test year expenses for software are unreasonable. Companies should not be allowed to expense in its entirety all software related costs, particular those for operating systems, where the benefits from the software extend over several years.

In addition, the company has admitted that its budgeted level of expense for right-to-use fees exceed the amount currently expected to be spent on right-to-use fees. An adjustment should be made to software expense to reflect the more recent estimate of right-to-use fee expense. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No. Software additions are capital expenses which should be recovered over a standard five year period, the same as for any other business.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15h: In the event that the Commission requires a different accounting practice for software additions than is currently employed by SBT, how should that change be treated for ratemaking purposes?

SO.BELL: Southern Bell's accounting procedures for software additions are appropriate and are in compliance with Part 32 rules as adopted by the Florida Public Service Commission, with Generally Accepted Accounting Principles (GAAP), and with the Uniform System of Accounts. Test year data reflect this accounting treatment, which is appropriate for ratemaking purposes.

OPC: Operating systems software should be capitalized and amortized over a period of not less than three years.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Software additions are capital expenses which should be recovered over a standard five year period, the same as for any other business.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: In the event that the Commission requires a different accounting practice for software additions than is currently employed by SBT, the impact of the accounting change should be held subject to refund.

ISSUE 151: How should the Commission treat the Company's incentive compensation/bonus plan payments?

SO.BELL: Southern Bell's incentive compensation/bonus plan payments are part of the Company's overall

compensation plan which fairly pays its employees for services performed. The Commission should allow the expense for these plans as reflected in test year cost of service amounts.

OPC: Incentive compensation expense should be reduced. Even under the terms of its own plan, Florida operations are earning much less than the budgeted payout for the incentive compensation plan. The company's payout is excessive, particularly given today's market conditions. The budgeted level of expense is overstated by a minimum of 25%. An additional 25% reduction in the expense to ratepayers should be removed from test year expenses in order to have some sharing in the level of incentive compensation between ratepayers and shareholders. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 151: Should the Commission allow the Company to establish a casualty damage reserve? If so, what is the appropriate amount of annual expense?

SO. BELL: Yes. The appropriate amount of annual expense for establishing a casualty damage reserve is \$6,000,000 beginning with the calendar year 1994.

OPC: No, it should not be allowed. The casualty damage reserve accrual does not meet the requirements of generally accepted accounting principles. Moreover, the establishment of such a reserve leaves many unanswered questions. For example, damage from the "Blizzard of 1993/Storm of the Century" was \$3.2 million dollars on a Florida basis. With the storm damage accrual, the company could manipulate its earnings in any given year by deciding whether or not to charge such expenses against the casualty damage reserve. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15k: What is the appropriate expense adjustment for Hurricane Andrew, if any, in the test period?

SO.BELL: The Company has deferred the 1992 and 1993 expense impact of Hurricane Andrew and reflected one-fifth of the total in the test year based on the Commission's policy regarding casualty damages. The amortization amount included in the test year is \$21,796,036 and this is the appropriate amount for use as test year expense of Hurricane Andrew in this proceeding.

OPC: The cost of Hurricane Andrew should be written off in 1992. This treatment would be consistent with generally accepted accounting principles, consistent with Southern Bell treatment of such expenses in the Florida interstate jurisdiction, consistent with Southern Bell's treatment of the expense for Florida non-regulated operations, and consistent with the treatment for both intrastate and interstate purposes in Louisiana, which also suffered damage from Hurricane Andrew. Part 32 of the uniform systems of accounts, adopted by the Commission in 1988, adopted general accepted accounting principles. In addition to a yearly amortization of over \$20 million dollars, the company is also injecting an extraordinary retirement of almost \$20 million dollars as a pro-forma adjustment to 1994 and has requested \$6 million dollars for a casualty damage reserve accrual. Thus the Company is requesting that rates, which are set on a going forward basis, include over \$46 million dollars per year to recover Hurricane Andrew costs and to provide for future events. This would set an entirely inappropriate level of rates in the future.

Additionally, insurance proceeds between Florida and Louisiana have been inappropriately allocated by Company. Even though Louisiana damage represented 7.28% of the total claims related to Hurricane Andrew, Southern Bell allocated 21.61% of the insurance proceeds to Louisiana, where the company was required to follow generally accepted accounting principles and write-off uninsured costs in 1992. The insurance proceeds should be allocated based on relative damage. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Costs associated with Hurricane Andrew should be written off in 1992. Southern Bell should not be allowed to set future rates to recover past losses, any more than the insurance industry can.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 151: Has Southern Bell's ESOP been treated appropriately for regulatory purposes?

SO.BELL: Yes.

OPC: Under the leveraged employee stock ownership plan placed into effect in 1990, the company's ESOP trust borrowed money and purchased company stock. This enabled the company to receive special tax benefits, allowing dividends paid to the trust to be deductible for tax purposes. Even though Southern Bell is charging expense associated with the LESOP to ratepayers, Southern Bell does not receive any of the benefits from the deductibility of the dividends because the company retains these savings at the parent corporate level. If ratepayers are required to provide through rates a provision for the cost of the LESOP, which on a total company Florida basis exceed \$23 million dollars in 1992, Southern Bell ratepayers should be allocated a fair share of the tax savings. These tax savings should be used to offset federal and state income tax expense. See DeWard Schedule 29. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 15m: How should the costs associated with debt refinancing be treated for ratemaking purposes?

SO.BELL: The costs associated with debt refinancing should be treated for ratemaking purposes in the manner proposed by Company Witness Reid in his testimony filed on July 2, 1993 and updated on October 1, 1993. The Company's proposed treatment is to assign the debt refinancing cost to calendar years for ratemaking purposes in amounts equal to the interest expense savings incurred in that year as a result of the refinancing at lower cost debt.

OPC: Southern Bell's adjustment to increase expense by \$9.2 million dollars exactly and completely negates the interest savings associated with long-term debt which the company refinanced during 1993. Since Southern Bell will continue to realize savings in interest costs into the future, it should not be allowed to negate the savings associated with lower interest costs by quickly amortizing refinancing cost and including the very quick amortization as part of permanent rates. The company should amortize the cost of refinancing in 1993 and 1994 as if the cost were being amortized over the life of the new debt, approximately 30 years. The remaining amount could be amortized equally in 1995 and 1996 as an offset to the step decrease associated with company's re-engineering effort. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

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DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL
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AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The costs associated with debt refinancing should be amortized over a period of at least four years, which is certainly fair since Southern Bell will continue to see savings in interest costs far into the future.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15n: Has the Company properly recorded legal and professional services in connection with the Attorney General's investigation and the Davis anti-trust lawsuit as below the line expenses?

SO.BELL: Yes.

OPC: No. Although Southern Bell's intent was to record below the line all expenses associated with the Attorney General's investigation and the Davis anti-trust litigation, a portion of the total expenditure for these matters were recorded above the line. These amounts should be eliminated from the test year. See DeWard Schedule 35. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15o: Should the Company be allowed to recover a provision for pension expense in cost of service?

SO.BELL: Yes. The Company has included the appropriate amount of pension expense in the test year in accordance with SFAS 87 Reporting Requirements which have been adopted by the Florida Public Service Commission.

OPC: No. On a BellSouth basis, at the end of 1992 assets in the pension trust exceeded the accumulated benefit obligation by over \$1.63 billion dollars. In other words, the market value of the assets held in trust exceeded the projected benefit obligations for all employees covered by

the pension plan by \$1.63 billion dollars. The company does not anticipate any funding at least through the turn of the century. The Commission should eliminate the pension accrual of \$20.468 million dollars in the test year.

Various scenarios of pension plan expense show projections of a negative pension expense in the near future. The company should make realistic revisions to the assumptions used in its pension plan to negate the need to record a pension plan expense for financial reporting purposes. For example, the company could more rapidly amortize the transition assets and could adopt a more realistic estimate of wage increases, given the most recent history of wage increases granted. In any event, ratepayers should not be made to pay over \$20 million dollars per year expense in permanent rates for an already vastly overfunded pension plan. (DeWard).

<u>ATTY. GEN.:</u>	No position at this time.
<u>AARP:</u>	No position at this time.
<u>AT&T:</u>	No position at this time.
<u>BROWARD COUNTY:</u>	No position at this time.
<u>DOD/FEA:</u>	No position at this time.
<u>FCAN:</u>	No position at this time.
<u>FCTA:</u>	No position at this time.
<u>FIXCA:</u>	No position at this time.
<u>FLA AD HOC:</u>	No position at this time.
<u>FPTA:</u>	No position at this time.
<u>McCAW:</u>	No position at this time.
<u>MCI:</u>	No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15p: How should the Commission treat the costs and the savings associated with the Company's labor reduction plan for ratemaking purposes?

SO. BELL: For ratemaking purposes, the recognition of the expense associated with the Company's labor reduction plan is more appropriately reported in the year when employees accept separation agreements and subsequently leave the Company's payroll. This treatment gives the Company the opportunity to recover its cost of force reductions by timing the expense reporting more coincident with the period during which the savings will occur. The Company's test year 1993 data already includes an adjustment for expected productivity improvement in 1994 operations based on the historical results which the Company has achieved over the years 1989-1992. This adjustment is explained in the testimony of Company witness John McClellan filed on July 2, 1993. No further adjustment should be considered.

OPC: The Commission should order step rate decreases in 1995 and 1996. The company included in test period expense approximately \$8.7 million dollars in net expense for its re-engineering plan, even though by 1996 the company projects savings in excess of cost on a Florida total basis of over \$130 million dollars.

Step decreases to recognize these near term savings are consistent with Commission decisions over the last two years. For example, in the last two major electric rate cases the Commission allowed step increases to recognize projected increases in cost. In this case, Southern Bell projects reductions in cost that are not needed to provide reliable service in the near future. The Commission should recognize these large, near term expense reductions by ordering step decreases in rates, just as the

Commission has recognized near term rate increases in electric cases. (DeWard, Stewart).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should first examine the reasonableness of the Company's labor reduction plans to ensure that reliable service will be maintained. Assuming the Company's plan is found to be reasonable, the Commission should order appropriate reductions in future rates.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15q: Is the budgeted level of maintenance expense appropriate for ratemaking purposes?

SO.BELL: Yes.

OPC: Test year maintenance expenses include \$24.9 million dollars (on a total Florida basis) that was

added to the budget to handle work activities postponed from 1992 until 1993 on account of Hurricane Andrew. This amount should be eliminated from the test year. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15r: Should an adjustment be made to uncollectible accounts expense?

SO.BELL: No.

OPC: Southern Bell significantly overstated the provision for uncollectible accounts in its 1993 budget. The Company is now projecting an accrual for bad debt expense substantially below the level of expense included in the 1993 budget.

Uncollectible accounts expense should be reduced to a more realistic level. See DeWard Schedule 23. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15g: Should the Company be allowed to recover, in cost of service, the cost of the Supplemental Executive Retirement Plan (SERP)?

SO. BELL: Yes. The SERP expenses included in cost of service represent reasonable and prudent business expenses.

OPC: The Company's supplemental executive retirement plan provides additional pension benefits above and beyond the normal pension plan to some of the highest paid employees. Company employees are

already provided a wide range of employee benefits. A similar benefit to the Company's Supplemental Employee Retirement Plan is provided to executives of Nevada Power Company. However, in rate filings Nevada Power Company does not seek recovery of this cost; instead, it treats the expense as a below-the-line item. The cost of the supplemental executive retirement plan should not be borne by ratepayers here. (DeWard).

<u>ATTY. GEN.:</u>	No position at this time.
<u>AARP:</u>	No position at this time.
<u>AT&T:</u>	No position at this time.
<u>BROWARD COUNTY:</u>	No position at this time.
<u>DOD/FEA:</u>	No position at this time.
<u>FCAN:</u>	No position at this time.
<u>FCTA:</u>	No position at this time.
<u>FIXCA:</u>	No position at this time.
<u>FLA AD HOC:</u>	No position at this time.
<u>FPTA:</u>	No position at this time.
<u>McCAW:</u>	No position at this time.
<u>MCI:</u>	No position at this time.
<u>SPRINT:</u>	No position at this time.
<u>STAFF:</u>	No position at this time.

ISSUE 15t: How should the Commission treat costs associated with Stock Appreciation Rights for ratemaking purposes?

SO.BELL: Stock Appreciation Rights are normal compensation expenses.

OPC: In 1992 the Company allocated \$20,200.00 of expense associated with stock appreciation rights. As a price of stock increases or decreases in value, adjustments are made to expense. The Company can not adequately identify whether a similar expense was included in the 1993 test year; therefore, the amount of expense in 1992 of \$20,200.00 should be eliminated from the 1993 test year. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15u: Should the Company be allowed to recover, through cost of service, the cost of chauffeurs?

SO.BELL: Yes. To the extent a driver is needed for a prudent business purpose, the cost should be allowed in cost of service.

OPC: No, the cost for providing chauffeur service at the company headquarters should not be charged to ratepayers. See DeWard Schedule 41. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No, absolutely not.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15v: Are there any out-of-period expenses which should be removed from the test year?

SO. BELL: No.

OPC: Yes, maintenance expenses deferred from 1992 to 1993 on account of Hurricane Andrew should be removed from test year expense. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Any expenses deferred on account of Hurricane Andrew should not be included in test year expenses.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15w: Is the Company's proforma adjustment to remove certain aircraft expenses reasonable?

SO.BELL: Yes.

OPC: No, the adjustment is inadequate. The cost of executive aircraft service far exceeds the cost of commercial flights. Moreover, the flights are often used for purposes which should not be paid for by ratepayers, such as the cost of attending luncheons in Washington, Board of Trustees' meetings, attendance at retirements functions, speaking at rotary functions, and others. An adjustment should be made to reduce the recoverable expense to \$1.00 per mile per passenger. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15x: Should an adjustment be made to the separations factor for the Corporate Operations Expense?

SO.BELL: No.

OPC: Yes, the Company allocated insufficient Corporate Operations Expense to the interstate jurisdiction. An adjustment should be made to this expense. See DeWard Schedule 30. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 15y: Should an adjustment be made to the separations factor related to the Universal Service Fund?

SO.BELL: No.

OPC: Yes. Instead of treating the universal service fund as intrastate revenues, Southern Bell reduces corporate operations expense by the proceeds from the Universal Service Fund. An adjustment to this amount should be made. See DeWard Schedule 32. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Nonrecurring Items

ISSUE 16: Have non-recurring items been removed from the determination of revenue requirements?

SO.BELL: Yes.

OPC: Deferred maintenance expenses on account of Hurricane Andrew, shifting expenses from 1992 to 1993, should be removed. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Any expenses deferred on account of Hurricane Andrew should be removed when determining revenue requirements.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Affiliated Transactions

ISSUE 17: Are the affiliated charges and overhead allocations to Southern Bell-Florida reasonable, including charges from the central management/service organization?

SO.BELL: Yes. The billings from affiliates follow a comprehensive cost assignment and allocation plan prescribed by the FCC and accepted by the FPSC. BellSouth is audited annually for compliance with these rules and has received an unqualified opinion each year.

OPC: No. In particular, the general allocator, an allocator largely based on size, allocates an unreasonable amount to regulated operations. Since it is largely size driven, the bulk of "unattributed" cost allocated based on a general allocator charges very little to unregulated operations. The use of size based allocator is an analogous to charging a 210 pound man twice as much to see movie as a 105 pound woman is charged, merely because he's double her weight. It also ignores the possibility that relatively new competitive affiliates might benefit disproportionately from corporate public relations and advertising. Under the general allocation approach, regulated telephone operations absorb vastly more public relations cost than BellSouth's numerous unregulated subsidiaries.

A better alternative would be the use of a factor which gives some percentage weight to a equal distribution of cost to the receiving entities. For example, a more reasonable factor would be one that gives 50% weight to net operating expenses and 50% weight to an equal sharing among the major companies (25% to BellSouth Enterprises, 25% to Southern Bell, 25% to South Central Bell, and 25% to BellSouth Business Systems). The allocator should be changed, and expenses should be reallocated based upon this allocation method. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should carefully scrutinize such charges and allocations with an eye towards inappropriate advertising, promotional, contribution and lobbying expenses.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17a: Are the ownership costs incurred at the corporate level appropriate for ratepayers to pay?

SO.BELL: Yes. BellSouth Corporation ("BSC") is the holding company and as such performs certain "ownership" functions which are required of every corporation and which benefit all BSC subsidiaries. Some of these expenses are proportionately charged to BSC's regulated and non-regulated subsidiaries. The allocation of these BSC costs to its subsidiaries follow the FCC-prescribed cost assignment and

allocation requirements. The portion of the allocated billing from BSC to Southern Bell is then appropriately allocated to the Southern Bell states, including Florida.

OPC: No, ratepayers should not pay for ownership costs incurred at the corporate level. Ownership costs are those which are a function of the parent company's investor role. Examples include the expenses for senior executives who are concerned with managing the overall diversified group of company owned by BellSouth Corporation and with providing overall guidance to BellSouth Corporation and its subsidiaries.

Additionally, many of these executives perform a significant amount of corporate public relations work which is more beneficial to the non-regulated subsidiaries of BellSouth Corporation than to Southern Bell. Other ownership costs are duplicative of the costs already incurred by BellSouth Telecommunications. The Commission should not pass these costs along to ratepayers. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17b: Are the regulated operations being properly compensated for billing and collection services provided to nonaffiliated companies, and nonregulated and/or affiliated company operations?

SO.BELL: Yes. Billing and collections services are provided either at tariffed rates, at fully distributed cost, or at contract rates, each of which fairly compensates regulated operations for the provision of these services.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17c: How should the Commission treat BST Research Organization expenses?

SO.BELL: The Company has included research and development costs as current expenses in cost of service in accordance with generally accepted accounting principles and past regulatory treatment. The Commission should continue to treat BellSouth Telecommunications Research Organization expenses in this manner.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17d: Should the Company be allowed to recover as expense, the return on affiliated assets designated as Intracompany Investment Compensation (ICIC)?

SO. BELL: Yes. However, Intracompany Investment Compensation (ICIC) is not related to affiliated assets. ICIC is a compensation arrangement between states within the nine state region which BellSouth Telecommunications (BST) serves. For assets located in Florida and in the Florida rate base, a return component is billed to other states if the other states are benefitting from services provided by the Florida asset. Likewise, if the other states have assets from which Florida receives a benefit, Florida is billed a return component. The ICIC procedure is based on a long standing ratemaking treatments which have been accepted by the Florida Public Service Commission in the past.

OPC: The company has not adequately supported the expense for intra-company investment compensation. Absent adequate justification, the expense should be reduced by 25%. See DeWard Schedule 22. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 17e: Has the Company properly removed all BSC corporate advertising costs?

SO.BELL: Yes. The Company removed the cost of BellSouth corporate advertising costs through a proforma adjustment entitled "other regulatory adjustments" on Company Witness Reid's Exhibit WSR-2 filed on October 1, 1993.

OPC: No. The company made an adjustment to remove \$552,000.00 of BSC image advertising. However, the remainder of these BSC advertisements are just as much designed to boost BSC's image as those that the company itself disallowed. The Commission should disallow the remaining expense. See Dismukes Schedule 13. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No. Ratepayers should not be billed a single penny for BSC image advertising.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17f: Should an adjustment be made for BSC Corporate Affairs expenses which are charged to the Company?

SO.BELL: No. The Company has adjusted the amount of BellSouth Corporate corporate affairs expense included in the test year cost of service using a methodology which has been accepted by the Commission on past earnings surveillance reports. This adjustment entitled "other regulatory adjustments" is included on Company Witness Reid's Exhibit WSR-2 filed on October 1, 1993.

OPC: Yes. Within the BellSouth Public Relations Department there are four sections which incur some costs that should not be charged to ratepayers: corporate affairs, educational affairs, executive support and external affairs. An adjustment should be made for media relations sections within public relations department and one for the vice president of public relations. These expenses involve promoting the corporate image of BellSouth Corporation, which is not an expense which should be recovered from ratepayers. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should carefully scrutinize BSC Corporate Affairs expenses to insure that ratepayers are not paying for lobbying or image-enhancing activities.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17g: Should an adjustment be made for BSC D.C. Public Relations costs which are charged to the Company?

SO.BELL: No. The Company has adjusted the amount of BellSouth Corporation D.C. public relations expense included in the test year cost of service using a methodology which has been accepted by the Commission on past earnings surveillance reports. This adjustment entitled "other regulatory adjustments" is included on Company Witness Reid's Exhibit WSR-2 filed on October 1, 1993.

OPC: Yes. See the Citizen's position on Issue 17F.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes. (See Issue 17f)

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17h: Should an adjustment be made to remove BSC sponsorships which are charged to the Company?

SO.BELL: No. The BellSouth Corporation sponsorship of the BellSouth Golf Classic has been removed from test year cost of service through Company Witness Reid's proforma adjustment entitled "other regulatory adjustments" on Exhibit WSR-2. No further adjustment should be made.

OPC: Yes. BellSouth sponsored a host of special events in 1992 and 1993. There is little difference between contributing money to the sponsorships and making a charitable contribution or sponsoring the BellSouth Golf Classic or the Olympics. These

costs should be disallowed. See Dismukes Schedule 12. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Absolutely. Ratepayers are capable of making their own individual decisions regarding which charitable sponsorships to support, and don't need BellSouth Corporation to make up their minds for them.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17i: Is the return on investment charged to the Company by BSC reasonable?

SO.BELL: Yes. The return on investment charged to the Company by BellSouth Corporation and included in test year cost of service is reasonable and in compliance with the affiliated transaction rules as

specified by Part 32, the Uniform System of Accounts.

OPC: No. The Commission should not require Florida ratepayers to provide higher return on investment to BellSouth Corporation than the return otherwise allowed by this Commission. See Dismukes Schedule 15. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No. The rate of return on investment set by this Commission should be the only one allowed for ratemaking purposes.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17j: Should an adjustment be made for BSC's lease of the Campanile Building which is charged to the Company?

SO. BELL: No.

OPC: Yes. The parent corporation charges Southern Bell comparably more to lease the premises in the Campanile Building than it charges the accounting firm Coopers and Lybrand. Two adjustments should be made. First, the Commission should reduce the lease charged to BSC by 10% to reflect the fact that the marketing cost and business risk associated with lease should be minimal. Second, the Commission should reduce the lease amount allocated to the Company to reflect a retainage that would put the BSC lease terms comparable to the Coopers and Lybrand lease. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17k: Should an adjustment be made to the 1993 budgeted BSC project costs charged to the Company?

SO.BELL: No.

OPC: Yes. One of the projects budgeted for 1993 was canceled. Accordingly, that project should be removed from test year expenses. See Dismukes Schedule 19. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 171: Are any adjustments necessary to remove travel, meals, club dues, gifts, sporting events, other entertainment, and other miscellaneous expenses of BSC which are charged to the Company?

SO.BELL: No. The appropriate amount of expense has been removed from test year cost of service through Witness Reid's proforma adjustment entitled "other regulatory adjustments" on Exhibit WSR-2.

OPC: Yes. Dismukes Schedule 11 shows a number of expenses which should not be charged to ratepayers. These expenses includes items such as a large contribution to the Carter Center Pavilion, commemorative gifts to retiring board members, spouse travel, golf green fees, sporting events tickets, and foreign travel.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes. Contributions, gifts and entertainment have nothing to do with the provision of basic telephone service and therefore should not be charged to ratepayers.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 17m: Is the Company's adjustment to remove BSC dues reasonable?

SO.BELL: Yes. The appropriate amount of expense has been removed from test year cost of service through Witness Reid's proforma adjustment entitled "other regulatory adjustments" on Exhibit WSR-2.

OPC: No, an adjustment should be made to disallow BellCore memberships which have been charged to Southern Bell. See Dismukes Schedule 13. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17n: Should an adjustment be made to remove BSC donations which are charged to the Company?

SO.BELL: No. The appropriate amount of expense has been removed from test year cost of service through Witness Reid's proforma adjustment entitled "other regulatory adjustments on Exhibit WSR-2.

OPC: Yes. Donations should not be charged to ratepayers. See Dismukes Schedule 12. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes. Ratepayers should not be billed for Corporate donations, period.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Expenses associated with donations, if any, should be disallowed for ratemaking purposes.

ISSUE 17o: Should an adjustment be made for BSC legal expenses charged to the Company?

SO.BELL: No.

OPC: Yes, an adjustment should be made for BSC legal expenses. See Dismukes Schedule 11. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17p: Are any adjustments necessary to costs allocated or charged to the Company from BellCore?

SO.BELL: No.

OPC: Yes. Many of the costs for long-term projects at BellCore are design to result in or enhance services and products that are unregulated. Many of the projects budgeted by Southern Bell for 1993 are not properly recovered from current customer. See Dismukes' Schedule 18. Certain projects will largely benefit personal communications in wireless areas, information services, information network architecture and video and broad band. These expenses should not be recovered from current ratepayers. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 17g: Should certain Research and Development costs charged to the Company be deferred or capitalized?

SO.BELL: No.

OPC: The costs identified in response to 17p should be deferred for either recovery at a later date or expensing below the line at a later date. A proper determination may be made when there is more certainty with respect to the condition under which the resulting services and products will be offered. An accrual analogous to AFUDC would be appropriate pending that determination. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 17r: How should the Commission treat the lease agreement with Sunlink for ratemaking purposes?

SO.BELL: The treatment that Southern Bell has proposed is appropriate.

OPC: An adjustment should be made to the cost of the Sunlink leases in order to make the cost of the leases equal to or less than fully distributed cost. There are a number of problems about the lease arrangements between Sunlink and Southern Bell. The comparison provided by the company fails to take into consideration the time value of money. The comparison also improperly used the FCC authorized overall rate of return, even though about 75% of the operations are intrastate. The comparison improperly include allocated cost. A critical error was the failure of the comparison to take into account years beyond 1992. Finally, the comparison should have included property taxes. See Dismukes Schedule 17. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 17s: How should the Commission treat the agreement with BellSouth Travel Service for ratemaking purposes?

SO.BELL: The net revenue or expense associated with the BellSouth Travel Service agreement should be included in ratemaking as these occur.

OPC: The test year budget fails to include any revenues for the profits from BellSouth Travel Services. Intrastate revenues should be increased to take this into account. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 17t: Should the Commission allow the Company to charge its affiliates a return on investment for the use of common plant and equipment?

SO. BELL: The Company does charge a return on investment when the service being provided to the affiliate involves the use of Company investment. Where there is no Company investment used in the provision of service to the affiliate, a float charge is included in billings to affiliates.

OPC: Southern Bell should charge its affiliates a return on investment for the use of common plant and equipment. Otherwise, Southern Bell's affiliates obtain use of the common plant and equipment without compensation to Southern Bell. Test year revenues should be increased for this amount. (Dismukes).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Southern Bell's affiliates should pay the same return on investment for the use of common plant and equipment which Bell would charge its ratepayers.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: No position at this time.

FAS 112 and 106

ISSUE 18: Should the Commission adopt FAS 112 for ratemaking purposes?
SO.BELL: Yes.
OPC: Yes.
ATTY. GEN.: No position at this time.
AARP: No position at this time.
AT&T: No position at this time.
BROWARD COUNTY: No position at this time.
DOD/FEA: No position at this time.
FCAN: No position at this time.
FCTA: No position at this time.
FIXCA: No position at this time.
FLA AD HOC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 18a: What adjustment, if any, should be made for postemployment benefits for the test year related to FAS 112?

SO. BELL: Southern Bell is proposing to adopt FAS 112 in 1993. Therefore, the implementation cost will be recorded in 1993 and will not be reflected in ongoing test year expense.

OPC: Southern Bell should be required to write off the cost of SFAS 112 over the two year period 1992 through 1993. Southern Bell could have chosen to adopt SFAS 112 in 1992, but instead chose 1993. Presumably, Southern Bell expects to offset refunds ordered for 1993 by the full impact of the accrual for SFAS 112. There is no cash cost to the Company associated with the adoption of SFAS 112. Instead of shifting all of the cost to ratepayers in 1993 as proposed by Southern Bell, a more equitable result which shares the cost between ratepayer and shareholder would require the cost of adoption to be spread out over a two year period. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

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FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 18b: Does the recognition of FAS 112 expense in 1993 duplicate budgeted expenses in 1993?

SO. BELL: No.

OPC: Yes. (DeWard)

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 18c: What adjustment, if any, should be made for postretirement benefits other than pensions for the test year related to FAS 106?

SO.BELL: The appropriate adjustment for post-retirement benefits other than pensions for the test year related to FAS 106 is the amount calculated by the Company in Witness Reid's testimony.

OPC: Southern Bell should be required to recalculate the cost under SFAS 106 taking into consideration the reimbursement it will receive from AT&T for postdivestiture medical expense for BellSouth Telecommunications employees who are retired at the time of postdivestiture. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Depreciation and Amortization Expense

ISSUE 19: What is the appropriate amount of depreciation expense for the test year?

SO.BELL: The appropriate amount of depreciation expense is \$542,254,000 as shown in Company Witness Reid's testimony.

OPC: The test year depreciation expense should be adjusted to reflect the actual retirement in the metallic cable accounts. The actual retirements are averaging only 41% of the forecast which was presented to, and accepted in total by, the Commission. (Curran). In addition, the account for digital circuit equipment is fully depreciated. Depreciation expense for this account should be eliminated. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should carefully scrutinize the depreciation expense schedule to ensure that it reflects only the actual retirement rates for equipment and networks, and that revenues intended to offset legitimate depreciation expenses are not being used to effectively cross-subsidize future competitive ventures in cable television or data communications.

FCTA: No position at this time.

FIXCA: The appropriate amount of depreciation for the test year should exclude depreciation for the dark fiber of Southern Bell's internal interLATA network. (Gillan)

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: Depreciation expense for the test year should be determined using the depreciation rates approved in Docket 920385-TL. In considering Southern Bell's cost of equity and other issues, the Commission should take into account that these depreciation rates have enabled Southern Bell to accomplish significant network modernization and achieve technological efficiency gains with ratepayer provided funds.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 19a: How and when should the reserve deficit caused by Hurricane Andrew damage be recognized for ratemaking purposes?

SO.BELL: The depreciation expense required to offset the extraordinary retirements from Hurricane Andrew should be recorded in 1994 and included in the box calculations.

OPC: The loss associated with Hurricane Andrew should be written off in 1992 in accordance with generally accepted accounting principles. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Losses associated with Hurricane Andrew should be expensed in 1992.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 19b: Has the Company properly computed the adjustment for expiring amortization? If not, what is the appropriate adjustment?

SO.BELL: Yes, as set forth in Walter Reid's testimony of September 10, 1993.

OPC: An adjustment should be made to amortization expense to reflect the expiration of amortization schedules in 1993. See DeWard Schedule 25. In addition, the asset balance in equipment/official communication equipment shows that it is over depreciated. The amortization expense included in the test year should be eliminated since the account is already over depreciated. See DeWard Schedule 26. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Taxes

ISSUE 20: What is the appropriate amount of taxes other than income for the test year?

SO.BELL: The appropriate amount of taxes other than income is as shown on updated MFR Schedule A-2b filed October 1, 1993.

OPC: Adjustments consistent with other issues should be made to taxes other than income. In addition, the Company has not adequately explained its computation of federal income tax. A different computation shows that income tax should be reduced in 1992 and 1993. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 20a: Should an adjustment be made to the gross receipts tax expense?

SO.BELL: No, the intrastate gross receipts tax, as set forth in the December 10, 1993 testimony of Walter Reid, is correct.

OPC: Southern has so far been unable to show that the test year includes the appropriate amount of gross receipts tax expense. Absent the Company's ability to show the passed-on tax is, in fact, included in test period revenues, an adjustment should be made. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 20b: Should an adjustment be made to the separation factor for taxes, other than income?

SO.BELL: No.

OPC: Yes, a recalculation of taxes other than income show that a reduction to intrastate expense should be made. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 21: What is the appropriate amount of income tax expense for the test year?

SO.BELL: The appropriate amount of income tax expense is as reflected in Company Witness Reid's testimony.

OPC: Adjustment to income tax expense should be made as described in the following issues. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

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FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 21a: Has the Company implemented FAS 109, Accounting for
Income Taxes, in accordance with Rule 25-14.013,
Florida Administrative Code?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 21b: Should the tax savings that BellSouth Corporation retains in connection with the PAYSOP and LESOP plans be allocated to Florida?

SO.BELL: No.

OPC: Yes, the tax savings from the PAYSOP and LESOP should be allocated to Florida. If ratepayers are required to provide through rates a provision for the cost of a leveraged employee stock ownership plan which, on a total company Florida basis exceeded \$23 million dollars in 1992, Southern Bell should be allocated its fair share of the tax savings. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending completion of staff's audit.

ISSUE 21c: Should a parent Company debt adjustment be made because of: (1) the debt issued by BellSouth Capital Funding Corporation and (2) the debt issued by the trust which holds the shares for the LESOP?

SO.BELL: No.

OPC: The Commission should adopt the optimal capital structure proposed by the Citizens' witness James Rothschild, in which case no adjustment would be necessary for the debt issued by BellSouth Capital Funding Corporation. If, however, the Commission does not adopt this optimal capital structure, a parent company debt adjustment should be made. The same is true for the debt issued by the trust which holds the share for the LESOP. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 22: What is the appropriate achieved test year net operating income?

SO.BELL: The appropriate achieved test year net operating income is \$366,767,000 as shown on Company Witness Reid's Exhibit WSR-2 update filed on October 1, 1993.

OPC: This a fall out from the Commission's decision on the other issues in the case.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

ATTRITION

ISSUE 23: Is Southern Bell's attrition (accretion) allowance appropriate?

SO. BELL: Yes.

OPC: Southern Bells proposed accretion allowance is inappropriately biased downward because it uses trends established during a recessionary period. The Commission should eliminate the 1992 recessionary period from the analysis made by Southern Bell witness McClennan.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

REVENUE REQUIREMENT

ISSUE 24: What is the appropriate amount of revenue increase/decrease for the test year?

SO.BELL: The Company's proposed rate changes should be approved. No further revenue changes are necessary.

OPC: Southern Bell's rates should be decreased by at least \$454 million dollars. In addition, a penalty should be imposed for fraudulent and abusive sales techniques, as well as falsification of quality of service reports submitted to this Commission.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: A substantial revenue decrease is appropriate, which we expect would exceed \$250-million. Additional reductions should be imposed to penalize Bell for mismanagement regarding inside wire maintenance scams and falsified repair order reports, and to revise depreciation schedules.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This is a mathematical calculation or a fall-out issue.

ISSUE 24a: Did Southern Bell earn above 14% Return on Equity (ROE) for 1992 therefore requiring a sharing of earnings between the company and ratepayers per Order No. 20162 in DN 880069-TL? If so, what is the amount to be shared?

SO.BELL: No.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 24b: Did Southern Bell experience an increase in earnings when netting rate changes against changes in earnings due to exogenous factors and debt refinancings, therefore requiring a refund and/or a permanent disposition for 1992 per Order No. 20162? If so, what is the amount?

SO.BELL: No.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 24c: What amount of revenue, if any, is subject to disposition for 1993 due to orders issued in DN 920260? How should this revenue be disposed of?

SO.BELL: The amount of revenue subject to disposition in 1993 is approximately \$49,000,000 as shown in Company Witness Sims testimony.

OPC: In accordance with the company's agreement, actual earnings should be used with all Commission adjustments applied to determine the amount due customers. An additional hearing will be necessary to determine the amount. (DeWard).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: AT&T has no position at this time as to what amount of revenue is subject to disposition for 1993. However, AT&T submits that, should revenues be available for refund for 1993, IXCs should be allowed to share in such refunds. To the extent that refund revenues are available, the Commission should apply the intrastate switched access rates which are ultimately determined to be appropriate to the actual usage of the IXCs during the period January 1, 1993 until the effective date of the revised rates, and should direct Southern Bell to either provide an appropriate refund to each IXC or to return those excess revenues to IXCs through credits on access charge bills on a going-forward basis until all excess revenues have been returned. AT&T is willing to commit to using such refund revenues to benefit its customers. (Spoonier)

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: FIXCA has not made a detailed study of the amount of money available for refund; however, it appears to be substantial. A portion of the amount determined by the Commission to be appropriate for refund should be set aside to defray the costs of implementing 1+ presubscription which will be considered in Docket No. 930330-TP. Further, access customers, such as interexchange carriers, should receive a portion of any refund amount remaining after the 1+ set aside through a reduction in access charges greater than that proposed by Southern Bell. (Gillan)

FLA AD HOC: No position at this time.

FPTA: Any and all refunds arising from this proceeding should be fairly allocated, on a pro-rata basis, to all Southern Bell customers who pay recurring regulated monthly charges.

McCAW: No position at this time.

MCI: If any revenues are to be refunded to customers, refunds should be considered for access customers in addition to residential and business end-users. At a minimum, interexchange carriers are entitled to refunds in an amount equal to the reduction in access charges that should have been implemented under Southern Bell's proposal in mid-1992. (See, Direct Testimony of AT&T's Spooner). These funds should be used to offset Southern Bell's cost of the deployment of intraLATA equal access and presubscription.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 24d: What is the appropriate revenue expansion factor to be used in determining revenue requirements?

SO.BELL: The appropriate expansion factor is 59.56623% as shown on Revised MFR Schedule C-13 filed on October 1, 1993.

OPC: No position at this time.
ATTY. GEN.: No position at this time.
AARP: No position at this time.
AT&T: No position at this time.
BROWARD COUNTY: No position at this time.
DOD/FEA: No position at this time.
FCAN: No position at this time.
FCTA: No position at this time.
FIXCA: No position at this time.
FLA AD HCC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: No position at this time.

INCENTIVE REGULATION

ISSUE 25a: What criteria should the Commission use to evaluate Southern Bell's performance under the current form of regulation?

SO. BELL: When the Commission reviews Southern Bell's results, the Commissioners should assure themselves that this plan has produced just and reasonable rates, has allowed good service, has created incentives to invest in the network, has improved operational efficiencies, and has encouraged the introduction of new and innovative services. The

Commission should acknowledge, however, since it is not possible to replicate the past assuming a different form of regulation, that the determination of whether the criteria are met will necessarily be less than precisely measurable.

OPC:

The Commission should primarily compare Southern Bell's performance during its incentive plan to the other local exchange companies in Florida which were governed by the traditional regulation of this Commission. During the incentive period Southern Bell engaged in the falsification of sales to its customers and engaged in widespread falsification of the quality of service reports it submits to this Commission. Even falsify reported, Southern Bell's quality of service during the incentive period was extremely poor compared to the other large local exchange companies. In addition, comparison to the other local exchange companies based on operational revenue per average access lines, O&M expense per average access lines, and the ratio of O&M expense to total operating revenue shows Southern Bell performing poorly. Finally, Southern Bell's quality of service in Florida compares poorly even to the quality of service provided by Southern Bell and South Central Bell to the other states served by BellSouth Telecommunications.

The Commission must not reward Southern Bell for poor performance and abuse of its customers. (Poucher, Stewart).

ATTY. GEN.:

The criteria which the Commission should use in evaluating the performance of Southern Bell under incentive regulation should include, but not be limited to, decreased costs, increased revenues, increased efficiency, increased sharing of revenues with ratepayers, enhanced quality of service, and unique services, all measured in relation to the performance of other LEC's operating under ROR regulation.

AARP:

No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: The Commission should consider that the current incentive regulation plan has to-date resulted in not one single penny of "sharing" with ratepayers. The only "incentive" appears to have been to rip-off their own customers through falsified repair orders and fraudulent sales of unwanted services. Southern Bell's performance should be compared against that of other large local exchange companies in Florida, both in costs per customer line and quality of service.

FCTA: The Company's performance should provide identifiable benefits to ratepayers not otherwise available under traditional rate of return regulation.

FIXCA: No position at this time.

FLA AD HOC: The Commission should compare statistical data provided by SBT with other statistical data provided by similarly sized telephone companies in other jurisdictions who are not subject to incentive regulation.

FPTA: No position at this time.

McCAW: The Commission is required to utilize the criteria and requirements specified in sections 364.036, 364.338, and 364.3381, Florida Statutes.

MCI: In evaluating the results of Southern Bell's operations under incentive regulation and specifically any cost of service reductions claimed by Southern Bell to have resulted from the deployment of new technology under incentive regulation, the Commission should take into account the fact that "aggressive" depreciation rates established by the Commission have enabled Southern

Bell to accomplish significant network modernization and achieve technological efficiency gains with ratepayer provided funds.

SPRINT: No position at this time.

STAFF: The Commission should use, at minimum, the criteria of provision of new services, reasonable rates and maintenance of quality of service as established in Order No. 20162. Staff takes no position at this time on any additional criteria that should be used.

ISSUE 25b: Has the current incentive regulation plan under which Southern Bell has been operating achieved the goals as set forth in Order No. 20162? What are the positive and negative results, if any?

SO. BELL: Yes. Southern Bell has produced results which have met the goals in Order No. 20162. The incentive sharing plan has helped to eliminate the economic disincentives inherent in traditional rate of return regulation, encouraged efficient performance by Southern Bell and created additional incentive for Southern Bell to reduce costs and introduce new services.

OPC: No, the incentive plan has been a dismal failure. During the plan Southern Bell compared poorly to the other local exchange companies, abused its customers, and falsified its reports on quality of service provided to the Commission. (Poucher).

ATTY. GEN.: The incentive regulation plan under which Southern Bell is operating has failed to achieve its goals of lower costs and improved services in relation to the performance of LEC's operating under ROR regulation. Any positive results such as decreased costs of service to ratepayers have not been shown to be a result of the impetus of incentive regulation, but rather a function of declining costs experienced by the rest of the industry. Under the misplaced incentives of incentive regulation, Southern Bell has subordinated quality

of service and ethical conduct in order to reduce costs and increase revenues. Moreover, incentive regulation has not produced revenue sharing for customers of the utility.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No, the current incentive regulation plan has been a sad joke on consumers, instead. The negative results are contained in the report of the Statewide Grand Jury investigation into Southern Bell's sales practices. These problems have brought disrepute to the Company and its employees.

FCTA: No. The current plan has not met the goals of Order No. 20162 to achieve lower costs and more improved services than would have occurred under traditional rate of return regulation. The plan is detrimental to ratepayers and competitors primarily because it is tied to revenue production rather than efficiency gains. Negative results flowing from the current plan include excessive compensation, sales scams, "gold-plating" rather than economizing, and the creation of a source of funding to subsidize competitive sources that would not be available to the company in an effectively competitive market.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No, and Southern Bell has not demonstrated any positive benefits or results as a consequence of the current plan.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: The following goals were set forth in Order No. 20162:

1. New services will be brought to the consumer.
2. Reasonable rates will be sustained.
3. Quality of service will be maintained.

Staff's preliminary position is that new services have been introduced and regulated rates have not, in general, increased. However, the quality of service has deteriorated. Staff has no position at this time as to whether there is a causal relationship between these results and the incentive regulation plan.

ISSUE 26: Should the Commission continue the current form of regulation of SBT? If not, what is the appropriate form of regulation for SBT?

SO.BELL: Yes. The reasons for which the Commission approved the current incentive sharing plan are even more applicable today than they were in 1988. The telecommunications environment continues to change and competition continues to accelerate. In 1988, the Commission recognized the fundamental changes in the industry and allowed the Company to transition itself for these changes. In 1993, technology, strategic alliances and policy decisions have combined to solidify the Company's continuing requirement for earnings and pricing flexibility.

OPC: No, the Commission should not reward Southern Bell for the poor quality of service compared to other companies, abuse of its customers, and a falsification of reports on quality of service submitted to this Commission. The Commission should regulate Southern Bell the same way it regulates the other large local exchange companies in Florida. (Poucher).

ATTY. GEN.: The Commission should not continue the incentive form of regulation for Southern Bell, and should return Southern Bell to the traditional rate of return form of regulation.

AARP: AARP adopts the position of public counsel. AARP would prefer that Southern Bell be returned to traditional rate of return regulation.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No. The current incentive regulation plan should end, and Southern Bell should be returned to the same standard rate base regulation applied to all other Florida local exchange carriers.

FCTA: No. For a firm facing effective competition to earn economic profits, it must be more efficient and more innovative relative to its competitors. Therefore, the current incentive plan should be modified to directly tie to actions taken by the company to increase production efficiency.

FIXCA: Only if the Commission recalibrates Southern Bell's rates and incorporates a "sharing" mechanism so that access customers also have the opportunity to benefit from growth should Southern Bell be permitted to continue with its incentive plan. (Gillan)

FLA AD HOC: The Commission should not approve an incentive regulation plan for SBT. SBT's prices should be regulated by traditional cost of service regulation with some minor modifications. Modifications to traditional regulation should include the elimination of business services from the residual calculation. Business services should be consistently costly (including contribution) and priced as shown in Ad Hoc's testimony. Ad Hoc submits that traditional cost of service regulation

is consistent with the public interest, has historically demonstrated the ability to provide affordable and reliable telephone service, and otherwise provides safeguards against unreasonable or discriminatory rates, cross-subsidy and poor quality of service.

FPTA: No position at this time.

McCAW: As a general matter, alternative regulatory treatment is unnecessary for monopoly services given the incentives inherent in traditional rate base, rate of return regulation, and the record in this case does not demonstrate any need for incentive regulation for Southern Bell. However, alternative regulatory treatment may be appropriate for competitive services provided Southern Bell fully complies with sections 364.338 and 364.3381.

MCI: MCI does not object to continuing the current form of regulation, provided that the Commission concurrently begins implementing appropriate safeguards to respond to current and future competition. Two key elements are to require the unbundling of services provided by Southern Bell into basic network building blocks, and to price the unbundled elements on a nondiscriminatory basis to all business users. (Cornell)

SPRINT: No position at this time.

STAFF: No position at this time.

POLICY AND PRICING

Billing Units

ISSUE 27: Are Southern Bell's test year billing units appropriate?

SO. BELL: Yes, Southern Bell's test year billing units are appropriate.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time pending receipt of discovery responses.

ISSUE 27a: Have billing units for employee concessions been properly accounted for in MFR Schedule E-1a?

SO.BELL: Yes. Employee concessions have been accounted for in the billing units; therefore, real changes in revenue are reflected.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Based on SBT's responses to staff interrogatories, it appears that employee concessions have been properly accounted for in MFR Schedule E-1a.

Proposed Optional Expanded Local Service (ELS) Plan

ISSUE 28: Southern Bell has proposed an "Optional Expanded Local Service" (ELS) plan. Customers who subscribe would pay \$.02 per minute for all calls within the existing local calling area and \$.08 per minute for all intraLATA calls up to approximately forty miles. The proposed plan includes many components and features including seven-digit dialing, reduced flat-rate buy-ins, and usage caps. It would be available to both business and residence customers.

ISSUE 28a: Should Southern Bell's proposed Optional Expanded Local Service (ELS) plan be approved? If not, what alternative plan, if any, should be approved and what should be the criteria? What is the first year revenue impact?

SO.BELL: Yes. Southern Bell's proposed optional ELS plan should be approved as filed.

OPC: No, the Commission should reject Southern Bell's proposal which would require customers to give up their flat rate local exchange service in order to obtain lower toll rates out to forty miles. There should be no "tie-in" between lower toll rates and local measured service. Instead, the Commission should lower toll rates for all customers.

ATTY. GEN.: No position at this time.

AARP: AARP adopts the position of the Office of Public Counsel.

AT&T: The proposed 40-mile calling plan (ELS) should be rejected. The plan offers customers a discounted toll service at rates significantly below current toll service rates and below the underlying switched access charges that competing carriers must pay. Southern Bell has proposed offering ELS service at about 8 cents per conversation minute (for the expanded service area, i.e., discounted toll service) while it charges interexchange carriers approximately 11 cents for the underlying switched access. Because potential competitors can offer competing services only after purchasing switched access from Southern Bell, these potential competitors are effectively foreclosed from this portion of the market (approximately a \$60M toll market) and customers are denied the benefits of the competition - competition that this Commission has previously found to be in the public interest. The Commission should affirm the findings of its previous order (Order No. 23540), preserve the benefits of competition, and reject the ELS proposal. Moreover, the Commission should order an immediate reduction in intrastate switched access

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charges to levels at or below Southern Bell's interstate access charge levels. This would allow all competitive carriers to significantly reduce toll rates, bringing the benefits of lower toll rates to a greater number of Florida customers while simultaneously preserving the benefits of competition. (Guedel)

BROWARD

COUNTY:

No position at this time.

DOD/FEA:

No position at this time.

FCAN:

No, absolutely not! The Commission should not open the Pandora's Box to Local Measured Service, even as an "option." It is inappropriate to force customers to accept the equivalent of a pay phone in their living room in order to obtain a discount on local long distance calls. There should be no connection between these two distinct and separate services.

What customers have repeatedly asked for is expanded flat-rate local calling areas, not complicated formulas which may effectively re-monopolize intraLATA toll calls. The Commission should instead look to broader expanded area service (EAS) and simplifying the burdensome process to implement such plans.

FCTA:

No position at this time.

FIXCA:

No. Southern Bell's expanded local service (ELS) plan should not be approved. This plan is predatory toll pricing which combines local measured service with discounted interexchange pricing. The discounted interexchange portion of the plan violates the Commission's requirement that Southern Bell impute access charges.

Rather than approving the ELS plan, the Commission should take two steps. First, it should reduce access charges. Second, it should give customers control over their 1+ dialing as recommended by Commission Staff in Docket No. 930330-TP.

Additionally, if the Commission wants more focused toll relief, it should establish a lower access rate for all intraLATA calls or it could establish a reduced access rate specific to a certain LATA. (Gillan)

FLA AD HOC: No, SBT's ELS plan should not be approved. While Ad Hoc has no position at this time on the local portion of Company's local measured service offering, the seven-digit dialing to forty mile toll plan is anticompetitive and regressive. By Commission Order, intraLATA toll became competitive as of 1/1/92. Ad Hoc recommends that users be able to presubscribe for their intraLATA toll and that SBT be allowed to compete for this business using 1 + ten digit dialing, the commonly recognized and accepted method for dialing toll calls.

FPTA: Southern Bell's proposed Optional ELS Plan should be approved, if amended, to eliminate the \$12.00 minimum usage charge required under the 50 percent discount option. Southern Bell should also be required to impute the cost and contribution reflected in the rates paid by non-LEC pay telephone providers to its own pay telephone service.

McCAW: No position at this time.

MCI: No. Southern Bell's plan should not be approved because the plan uses 7-digit dialing for some toll calls, prices these toll calls below "imputed" access charges and requires a customer to take local measured service to obtain these toll discounts. Such a plan would cause customer confusion with no corresponding benefits. The Commission instead should approve a plan under which flat rate 7-digit local service would be provided in a mileage-defined local calling area. The size of the expanded local calling areas should be based on an evaluation of existing EAS pressures and the availability of Southern Bell revenues to support a calling area of a given size. All intraLATA calls beyond the flat rated areas should

be provided by the customer's presubscribed carrier of choice on a 1+ 10-digit basis. (Wood)

SPRINT: No position at this time.

STAFF: Southern Bell's proposed optional Expanded Local Service (ELS) plan should not be approved. Staff has no position at this time on what alternative plan, if any, should be approved pending further discovery.

ISSUE 28b: If the Company's Optional ELS plan or any other alternative is approved, should stimulation be taken into account? If so, how?

SO.BELL: Yes. Stimulation effects should be developed based on actual experience with similar plans that are in effect today, combined with knowledge about the calling habits and needs of Florida customers.

OPC: Stimulation must be taken into account on all rate reductions. It should be calculated consistent with the models sponsored by Staff witness Dismukes.

ATTY. GEN.: No position at this time.

AARP: AARP adopts the position of the Office of Public Counsel.

AT&T: Yes. To the extent that stimulation can be reasonably estimated for a monopoly supplier, it should be taken into account in rate making. This will permit maximum rate reductions for rate payers consistent with the company's authorized return. (Guedel)

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes, stimulation should be taken into account in the case of any rate reductions. The Commission should look to actual stimulation experience with other similar plans.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: Yes, if the Company's ELS plan is accepted. No, if presubscription and true intraLATA competition are allowed.

FPTA: Yes, the effect of stimulation and/or repression should be considered when rates are changed, if reasonable data is available to calculate the effect.

McCAW: No position at this time.

MCI: Yes, stimulation should be taken into account in the same manner that it is presently taken into account for reductions in Southern Bell MTS rates. (Wood)

SPRINT: No position at this time.

STAFF: Stimulation should be taken into account if the Company's Optional ELS plan or any other toll alternative is approved. Stimulation should be based on the percentage change in price and reflect, to the extent possible, the local or toll nature of the approved plan.

ISSUE 28c: If the Commission approves an OELS or similar plan, what other action should the Commission take, if any? (e.g., route-specific switched access charges, 1+ IntraLATA presubscription).

SO.BELL: The Commission should approve Southern Bell's optional ELS Plan along with all other proposed rate changes included in Southern Bell's July filing. No other Commission action is required.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: If the Commission approves an ELS plan, it should simultaneously order Southern Bell to reduce its intrastate switched access charges at least to the level of its interstate charges. This combination would preserve the benefits of competition while ensuring significant reductions in specific toll rates within the LATA. (Guedel)

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Regardless of any other action in this area, the Commission should consider the adoption of 1+ IntraLATA presubscription.

FCTA: No position at this time.

FIXCA: The Commission should implement LATA specific access reductions and implement 1+ IntraLATA presubscription. (Gillan)

FLA AD HOC: Regardless of whether the Commission approves a version of ELS, 1 + intraLATA presubscription should be implemented as soon as possible. Further, intraLATA switched access charges paid to SBT by the IXCs should be no higher on any route than the rate at which they are imputed by SBT to itself.

FPTA: The Commission should continue its investigation of and approve intraLATA presubscription in Docket No. 930330-TP. In addition, the Commission should require Southern Bell to file a separate section in its tariffs consolidating all rates and charges for all unbundled services offered to non-LEC pay telephone providers.

McCAW: No position at this time.

MCI: The Commission should implement 1+ intraLATA presubscription and reduce the level of access charges to a level where all competitive toll carriers can compete for the customers' 0-40 mile toll traffic. (Wood)

SPRINT: No position at this time.

STAFF: The Commission should take no action at this time. Docket No. 930330, scheduled for hearing in September 1994, will determine whether 1+ presubscription is in the Florida ratepayers' best interest.

ISSUE 28d: Is Southern Bell's proposal to amend, eliminate, or grandfather various existing measured and message rate offerings appropriate?

SO.BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: AT&T takes no position on this issue at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Grandfathering existing message rate offerings would not be inappropriate.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

Toll/Access/Mobile Interconnection

ISSUE 29: Southern Bell has made the following proposals:

- A) To reduce the local transport element for both originating and terminating access from \$.01540 to \$.01289.
- B) Not to flow through the switched access reductions to mobile interconnection usage rates.
- C) Not to make any changes to its toll service rates.

Should Southern Bell's proposals be approved? If not, what actions should the Commission take with respect to Southern Bell's switched access, toll, and/or mobile interconnection usage rates? What is the test year revenue impact?

SO. BELL: Yes. Southern Bell's proposals should be approved as filed. While Southern Bell supports reducing switched access rates to interstate levels, it is not appropriate to do so in this docket. Any additional switched access reduction and resulting toll reduction must be made up from other sources.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T:

The switched access charge reductions being proposed by Southern Bell in this case are woefully inadequate. Rather than simply approving the reduction in the local transport element that has been proposed by Southern Bell (item "A"), the Commission should order Southern Bell to immediately reduce intrastate switched access charges to a level at or below the level of its current interstate switched access charge rates. The annual revenue impact of reducing Southern Bell's intrastate switched access rates to interstate levels will be approximately \$110M.

The modifications suggested in items "B" and "C" have already been approved by this Commission on November 9, 1993 as part of a revenue neutral filing proposed by Southern Bell which included the elimination of time of day access pricing for Feature Group "D." These changes in CCL rates merely offset revenue increases that Southern Bell will experience through the elimination of the time of day discounts previously applicable to access. They do not represent access reductions.

AT&T has not position a this time on the proposal in item "D".

With respect to item "E", AT&T takes no position on the appropriate level of Southern Bell's toll rates so long as the pricing is in conformance with this Commission's ordered requirements for imputation of access charges. (Guedel, Spooner)

BROWARD
COUNTY:

No position at this time.

DOD/FEA:

It is appropriate to reduce all switched and special access charges to the level of costs. SBT's intraLATA message toll rates should also be reduced if they are above costs.

FCAN: Southern Bell has made the following proposals:

A) To reduce the local transport element for both originating and terminating access from \$.01600 to \$.01289.

B) To reduce the current FGD originating CCL from \$.02660 to \$.02600.

C) To reduce the current FGD terminating CCL from \$.03660 to \$.02927.

D) Not to flow through the switched access reductions to mobile interconnection usage rates.

E) Not to make any changes to its toll services rates.

Reductions to switched access charges should be flowed through to customers. Reductions in toll services rates should benefit all customers, and not be tied to the implementation of local measured service as the Company has proposed. If the Commission determines that toll reductions are appropriate, rates should only be reduced to meet the current rates of competitors, not to undercut them.

FCTA: No position at this time.

FIXCA: Switched access charges should be reduced at a minimum by the amounts proposed by Southern Bell. (Gillan)

FLA AD HOC: At a minimum, these reductions should take place. Further, using the excess revenue determined to be available at the conclusion of these hearings, access charge rates should again be lowered to the maximum extent possible after the business service rate restructuring proposed by Ad Hoc has taken place.

FPTA: No position at this time.

McCAW: With respect to mobile interconnection rates, if the Commission approves the petition and tariff in Docket No. 930915-TL, then no further changes to the mobile interconnection rates are necessary as a result of actions in this docket.

MCI: At a minimum, the Commission should approve the switched access reductions proposed by Southern Bell. To the extent additional excess revenues are available, the Commission should continue to reduce switched access charges until they reach parity with interstate levels.

SPRINT: Yes. Southern Bell's proposal to reduce access rates should be approved. It is Sprint's position, however, that there should be far greater reductions made in the area of switched access than those proposed by Southern Bell. Southern Bell's proposal to reduce local transport rates by merely \$10 million is insufficient given the level of contribution received from switched access customers compared to the level of revenue reduction and customer credits being considered in this proceeding. The Commission should correct this oversight by requiring Southern Bell to allocate a portion of the \$49 million customer credit to switched access rate reductions in addition to the current proposal to reduce local transport rates.

STAFF: Southern Bell, in addition to the proposed \$10 million decrease in the local transport switched access element, should be required to reduce other switched access elements so that its intrastate rates are at parity with its interstate switched access rates. Staff takes no position on the company's proposal not to flow through switched access reductions to mobile usage rates pending the Commission's decision in Docket No. 930915. Staff takes no position at this time on the company's proposal not to change its toll (MTS) rates.

Vertical Services

ISSUE 30a: Should the Company's proposal to reduce Residential Call Waiting from \$3.50 to \$3.35 and the Residential Call Forwarding Variable from \$2.45 to \$2.20 be approved? If so, what is the test year revenue impact?

SO.BELL: Yes. The annual estimated revenue loss is estimated to be \$4.3 million in 1993.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: Yes. FPTA is not aware at this time of the test year revenue impact of eliminating these charges; however, Southern Bell has acknowledged that the cost of providing Billed Number Screening is de minimus. Further imposition of these charges is unjust, unreasonable and unduly discriminatory.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUE 30b: The Company has made no proposal to change its current Touchtone charges. Is this appropriate? If not, what action should be taken and what is the test year revenue impact?

SO.BELL: Yes. In its proposal, the Company has not requested any change in the charge for touch-tone service. If touch-tone charges were eliminated, the 1993 estimated revenue loss would be \$52 million. Since touch-tone revenues provide a contribution to basic local exchange rates, the recovery of this lost revenue would have to be addressed.

OPC: The Commission should completely eliminate touchtone charges, consistent with action taken in the recent GTEFL rate case.

ATTY. GEN.: No position at this time.

AARP: AARP adopts the position of the Office of Public Counsel.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No, the current charge for Touchtone service is totally inappropriate, and should be completely eliminated, as it was in GTE's recent rate case. Given today's technology, there is virtually no cost associated with the provision of Touchtone telephone service.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: Ad Hoc advocates the elimination of the touchtone rate element by melding its cost into the basic service charge and making all R-1 and B-1 service touchtone capable. The Commission is well aware of the additional costs the Company incurs to restrict some customers to rotary service. Further, the touchtone rate element is not charged to all services (ESSX) which use it. It should be added to that competitive offering, or removed from the competing basic exchange services (PBX and B-1) to which it is now applied.

FPTA: The Touchtone charges should be eliminated.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: To the maximum extent possible, Touchtone charges should be eliminated.

ISSUE 30c: Should customers be allowed to subscribe to Call Forward-Busy in lieu of rotary or hunting service? If so, what is the test year revenue impact?

SO.BELL: No. Even though in limited situations, the call forward-busy feature can be a substitute for hunting service, call forward-busy and hunting service are two separate and distinct services that are designed to satisfy different needs. In addition, hunting service provides a greater contribution to support basic local service, the majority of which is from business applications.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: Call Forward-Busy is a legitimate method for transferring calls among lines within a business. If a revenue loss has occurred because this technology accomplishes the same result as hunting, that is because hunting is severely overpriced. As with most other business service price anomalies, repricing all business offerings based on the underlying elemental costs would eliminate the problem.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 30d: Should SBT be required to offer Billed Number Screening for collect and third number billed calls at no charge to subscribers? If so, what is the test year revenue impact?

SO.BELL: Southern Bell is not opposed to eliminating the charges currently in place for billed number screening. During the period October 1992 through September 1993, Southern Bell received approximately \$1.9 million in revenue from billed number screening. If Southern Bell is required to eliminate this charge, the loss of revenue will have to be addressed.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No. While there is no charge for billed number screening for collect and third party calls in Georgia and some other states, it would seem that there could be a cost, and therefore some justification for a one-time charge, to restrict third party billing--even though there is no such charge for 900 or 976 calls. There is however, no justification for a recurring charge.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. The test year revenue impact of eliminating this charge is \$1,905,185.

Service Connection Charges

ISSUE 31: Southern Bell has proposed to restructure and reduce its Service Connection Charges as shown below. What changes, if any, should be made to Service Connection Charges? What is the test year revenue impact?

<u>Current</u>		<u>Proposed</u>	
<u>Residential</u>		<u>Residential</u>	
Primary Service Order	\$25.00	Line Connection - First	\$40.00
Secondary Service Order	\$ 9.00	Line Connection - Add'l	\$12.00
Access Line Connection		Line Change - First	\$23.00
Charge - C.O. Work	\$19.50	Line Change - Add'l	\$11.00
Access Line Connection		Secondary Service Charge	\$10.00
Charge - New Line	\$31.50		
Number Change-per S.O.	\$ 9.00		
Number Change-per No.	\$11.50		
<u>Business</u>		<u>Business</u>	
Primary Service Order	\$35.00	Line Connection - First	\$56.00
Secondary Service Order	\$12.50	Line Connection - Add'l	\$12.00
Access Line Connection		Line Change - First	\$38.00
Charge - C.O. Work	\$19.50	Line Change - Add'l	\$11.00
Access Line Connection		Secondary Service Charge	\$19.00
Charge - New Line	\$31.50		
Number Change-per S.O.	\$12.50		
Number Change-per No.	\$11.50		

SO. BELL: The restructure and changes to the rates for service connection charges should be approved as proposed by Southern Bell. These changes bring service connection charges more in line with costs and simplifies the existing structure so that it will be easier for customers to understand.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: Service connection charges, like all charges for any service, should be structured and repriced to approach cost.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Extended Area Service

ISSUE 32a: Is a toll relief plan warranted for the routes in Docket No. 911034-TL (Between Ft. Lauderdale and Miami; Ft. Lauderdale and N. Dade; and Hollywood and Miami)? If so, what is the appropriate form of toll relief? What is the revenue impact?

SO.BELL: Southern Bell's proposed ELS Plan addresses those situations when the calling rates between two exchanges do not meet the Commission's criteria for non-optional, unlimited, two-way flat rate EAS. For that reason, Southern Bell believes that the ELS Plan will provide appropriate toll relief for these routes.

OPC: Yes, toll relief is warranted for the routes in Docket No. 911034-TL.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: AT&T submits that no "toll relief plan" targeted towards specific routes is warranted. The best way for the Commission to implement "toll relief" in Florida is to adopt AT&T's recommendations with respect to the reduction of intrastate access charges. Such action will result in "toll relief" that can be enjoyed by all Floridians. (Spooner)

BROWARD COUNTY: No position at this time, pending Prehearing Statement.

DOD/FEA: No position at this time.

FCAN: Yes, customers have repeatedly requested flat rate extended area service for these routes, and others. At a minimum, customers should be able to call within their local metropolitan area and/or their own county without incurring toll charges. What customers want is expanded local flat-rate calling, not lower local toll rates tied to Local Measured Service.

FCTA: No position at this time.

FIXCA: If the Commission believes that toll relief is warranted, it should implement specific access charge reductions for the Southeast LATA. (Gillan)

FLA AD HOC: Lower access charges will foster competition and will lower toll rates for users. This is preferable to any plan which permits SBT to remonopolize its territory and which would, in any event, conflict with the Commission's previous Order in the toll monopoly area docket.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No toll relief plan is appropriate. If MCI's proposal for expanded local calling areas is adopted and the Commission implements 1+ intraLATA presubscription and appropriate switched access charge rate reductions, competition should operate to reduce toll prices on these routes which are not part of expanded flat rate local calling areas.

SPRINT: No position at this time.

STAFF: Staff takes no position pending analysis of traffic study data filed December 8, 1993.

ISSUE 32b: Should the modifications to the OEAS and EOEAS plans in Section A3.7 of the General Subscriber Service Tariff be approved as proposed? If not, what action, if any, should be taken? What is the test year revenue impact?

SO. BELL: Yes.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: The benefits of EAS-like pricing will occur for all users on all routes if access charges are lowered and competition is encouraged.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

ISSUE 32c: Should the proposed modifications to the "Local Exceptions" in Section A3.8 of the GSST be approved? If not, what actions, if any, should be taken? What is the test year revenue impact?

SO. BELL: Yes. No other action need be taken.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

Basic Local Exchange Rates

ISSUE 33a: Southern Bell has proposed to reduce the rates and modify the rate relationships between certain of its business access lines services as shown below. It has proposed no other changes to business rate relationships. Is this appropriate? If not, what changes, if any, should be made to business access line rate relationships? What is the test year revenue impact?

<u>Service</u>	<u>Reduction</u>	<u>Cur./Prop. B-1 Ratio</u>
Business Rotary (or hunting)	31%	.50 / .35
Residential PBX Trunks	22%	.84 / .66
Business PBX Trunks	24%	2.24 / 1.70
Network Access Registers	24%	2.24 / 1.70
NARS - Small, Medium, Large	42%	1.03 / .59

SO.BELL: Yes. No other charges need be made to business access line rate relationships.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: It is appropriate to change rates for all business exchange services that are not priced at their costs.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: Yes, the direction of the changes in the business service rate relationships are appropriate, but the changes were selectively applied and they do not go far enough. Cost support for all business services should have been provided, and an overall costing/pricing restructure should have been proposed.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 33b: Should SBT be required to revise its tariff to change the Directory Assistance (DA) call allowance from one DA call per Centrex/ESSX main station line to 3 DA calls per NAR so as to be comparable with DA call allowances on PBX trunks? If so, what is the test year revenue impact?

SO.BELL: Southern Bell would not be opposed to changing the tariff to allow three DA call allowances per network access register (NAR) in order to make ESSX service compatible with the DA application for PBX trunks. ESSX service NARS provide the equivalent access to an ESSX service system that PBX trunks do for a similarly configured PBX. It is estimated that the 1993 annual revenue impact of this change would be an increase of \$760,000.

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The DA allowance of one DA call per Centrex line should not be changed as Centrex service can only be ordered and provisioned on a per line basis. In addition, this service has been grandfathered since 1976.

<u>OPC:</u>	No position at this time.
<u>ATTY. GEN.:</u>	No position at this time.
<u>AARP:</u>	No position at this time.
<u>AT&T:</u>	No position at this time.
<u>BROWARD COUNTY:</u>	No position at this time.
<u>DOD/FEA:</u>	No position at this time.
<u>FCAN:</u>	No position at this time.
<u>FCTA:</u>	No position at this time.
<u>FIXCA:</u>	No position at this time.
<u>FLA AD HOC:</u>	This proposal is not a major issue to Ad Hoc, but the tariff rules should be consistently applied to any similar services. In the case of DA, this change is fair.
<u>FPTA:</u>	No position at this time.
<u>McCAW:</u>	No position at this time.
<u>MCI:</u>	No position at this time.
<u>SPRINT:</u>	No position at this time.
<u>STAFF:</u>	No position at this time.

ISSUE 33c: SBT's current rates for Customized Code Restriction (CCR) for B-1 and PBX subscribers are greater than the rates for equivalent services to the company's ESSX subscribers. Is this appropriate? If not, what adjustment(s) should be made?

SO.BELL: Yes. The rate structures and levels for customized code restriction (CCR) for business line, PBX and ESSX subscribers are appropriate. These services are priced based upon the customer's perceived willingness to pay and the relative value of the service. No adjustments need be made.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No. If the costs to provide CCR are the same for B-1, PBX and ESSX, the rates should be the same.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 33d: The Company has made no other proposals to change its basic local exchange rates. Is this appropriate? If not, what changes should be made?

SO.BELL: Southern Bell's proposals are appropriate. No other changes should be made at this time.

OPC: The Commission should consider reductions to local exchange rates, intraLATA toll rates, and access charges in this docket. Expanded flat rate calling should be implemented.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: Changes in the rates for other local exchange services, including services to residential subscribers, may be appropriate if the rates for these services are not aligned with costs. It is also necessary to address the rates for services that are required by telecommunications firms that compete with Southern Bell, such as Direct Inward Dialing ("DID"). In general, it will be necessary to abandon guidelines such as value service that were important in pricing telecommunications services in the past, because prices must nearly reflect costs if SBT is to compete efficiently in the increasing competitive telecommunications markets.

FCAN: Expanded local flat-rate calling should be implemented instead of the Company's proposal for lower local toll rates tied to Local Measured Service. Rate reductions ordered by the Commission in this case should be used to eliminate the Touchtone charge, reduce basic local exchange rates, reduce access charges, and reduce intraLATA toll rates to meet (not exceed) competition.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: SBT has selectively repriced some of its local exchange services. SBT should be required to reprice all of its business services based on the principles set forth in Ad Hoc's testimony. The contribution from all those services should also be similar.

FPTA: Charges for Billed Number Screening for collect and third number billed calls and Touchtone charges should be eliminated.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

Stimulation

ISSUE 34: Are Southern Bell's proposed stimulation rates and levels appropriate? If not, what is appropriate?

SO.BELL: Yes.

OPC: No. Stimulation should be approved consistent with the models proposed by staff witness Dismukes.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: It is appropriate to recognize stimulation in calculating the revenue effect of reducing switched access charges and toll prices.

SPRINT: No position at this time.

STAFF: No. SBT's approach of using elasticity estimates generated by an intraLATA MTS demand model to approximate the effect of changes in the price of interLATA switched access is conceptually flawed. The interLATA MTS demand model developed by staff witness Dismukes is more appropriate for this purpose. Further, SBT overstated the stimulation by failing to consider that interexchange carriers typically price on a statewide basis, not a local exchange company specific basis. In addition, SBT has used short run elasticity estimates when long run elasticity estimates are more appropriate. Finally, to the extent this Commission requires any reductions in intraLATA MTS, the model proffered by staff witness Dismukes should be used to estimate stimulation.

Miscellaneous Issues

ISSUE 35: Should Southern Bell be required to itemize customer bills on a monthly basis?

SO.BELL: No. It is not necessary to require Southern Bell to itemize customer bills on a monthly basis as Southern Bell customers are already receiving an itemization of their bills each month.

Southern Bell is not opposed to unbundling the remaining gross receipts tax from the rate base. If the Commission finds that it is appropriate to do so, Southern Bell would prefer to target certain rates for reduction rather than make de minimus reductions in the majority of rate elements contained in the Company's G.S.S.T.

OPC: Yes.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: Yes. Southern Bell should be required to provide non-LEC pay telephone providers itemized, detailed bills for local and 0+ intraLATA calls setting forth the number called, date of call, time call began, time call terminated and total calling time (i.e., total length of time of call).

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes, Southern Bell should be ordered to itemize customer bills on a monthly basis. The Company currently itemizes at its option.

ISSUE 36: Should SBT be allowed to unbundle the Gross Receipts Tax from base rates and bill it as a separate line item on customer bills? If so, what is the test year revenue impact of doing so?

SO. BELL: It is Southern Bell's understanding that this issue will be deleted from the final Prehearing Order.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: This issue should be deleted.

ISSUE 37: What other rate changes, if any, should be approved?

SO.BELL: Southern Bell has no additional proposals for changes in rates or rate structure at this time.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: The Commission should direct SBT to recost and reprice all business services including private lines, special access and ESSX station lines according to the method prescribed by Ad Hoc. SBT has not proposed any changes to private lines and ESSX. The result unfairly burdens other business users. The total cost of ESSX, including station lines and usage factors should be included in the restructure and repricing.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: At this time, staff recommends no other changes.

Effective Date/ Customer Notification

ISSUE 38a: What should be the effective date(s) of any rate changes approved in this docket?

SO. BELL: The effective date for any change will depend upon the type of the change that is ordered and to what degree the change differs from that proposed in Southern Bell's filing. Simple rate changes should become effective two months following the final order. Changes to the rates that are associated with the proposed ELS Plan should be effective upon implementation of the Plan. It is anticipated that if the Plan is approved as filed, implementation would occur six months after the order becomes final.

OPC: By agreement, the revenue effect is retroactive to January 1, 1993. Refunds should be made for the period preceding the actual rate changes.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: By previous agreement, rate changes are retroactively effective to January 1, 1993. Customers should receive refunds for any difference between the current monthly credit and the retroactive rate reductions ultimately ordered in this case. A reasonable period of thirty to sixty days following the issuance of the order in this case should be allowed for implementing said rate reductions and issuing refunds.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: Rate changes should be implemented as soon as reasonably possible following the final order in the docket. The effective date of any expanded local calling areas should be set to coincide with the effective date of intraLATA 1+ presubscription. (Wood)

SPRINT: No position at this time.

STAFF: In general, new rates should go into effect five days after correct tariffs have been received and reviewed. Specified new or revised offerings, if approved, may require more time before becoming effective. Revised tariffs should be filed five days after the final vote.

New rates should apply to all service received on or after the effective date even if they are not actually billed until the following month. A grace period should be established as follows: any customer requesting discontinuance of a service prior to the due date of the first bill following the effective date of that service should receive a credit for the difference in billing between the old and new rate.

ISSUE 38b: What information should be contained in the bill stuffers sent to customers and when should such notification take place?

SO.BELL: The bill insert should contain an explanation of the changes, including a comparison of proposed and current rates where a concise and logical comparison can be made. When rate changes are approved by the Commission, customers should be notified a reasonable time prior to implementation.

OPC: No position at this time.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Southern Bell should notify its customers of any rate changes by a bill stuffer distributed in the first billing cycle following the rate changes. The bill stuffer should be submitted to staff for review within five days of the Commission's vote. Bill stuffers should contain the following information:

- 1) An overview of the case and a summary of the final order;
- 2) Summary of services for which rates have been adjusted;
- 3) A statement that information on new rates is available from each of the Company's business offices and service centers;
- 4) Explanation of the credit for discontinuance or modification of service and how it may be obtained.

ISSUES IN DOCKET NO. 900960-TL

ISSUE 201: Has SBT charged customers through non-contact sales for services not requested?

SO. BELL: As a result of an internal investigation conducted in 1990, Southern Bell discovered that a few employees had added certain services, generally related to the inside wire maintenance plan to the accounts of a number of customers without their knowledge.

OPC: Southern Bell has been responsible for the billing of customers through non-contact sales programs for services they did not order and did not want. (Poucher).

ATTY. GEN.: Southern Bell has been responsible for billing customers through non-contact sales programs for services they did not order and did not desire.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUE 202: Did SBT misbill its customers by misinforming them or misleading them with respect to what was the most economic or least expensive service, with the result that the customers were billed for services they did not desire?

SO. BELL: No. Service representatives are required to advise customers of the least expensive service alternatives available. Accurate rates must be quoted for services ordered.

OPC: Southern Bell service representatives have failed to fully inform customers of the least expensive services available and have been responsible for the billing of customers for services they did not desire. (Poucher).

ATTY. GEN.: Southern Bell service representatives failed to fully inform customers of the least expensive services available and Southern Bell has been responsible for billing customers for services they did not desire.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes, SBT misinformed or misled its customers. To the extent this practice occurred, staff has no position pending further discovery.

ISSUE 203: How many customers were charged for services not requested through non-contact sales and what is the total amount of such charges that has been collected from SBT customers? Have these charges been refunded appropriately?

SO. BELL: Southern Bell refunded to all customers who were affected by the disciplined employees and those individuals who claimed they did not order the services, a full refund with interest.

OPC: No position at this time. The Company has failed to file meaningful weekly statements of its refunds. (Poucher).

ATTY. GEN.: The Attorney General is unable to take a position at this time, since Southern Bell has failed to file weekly statements of its refunds as ordered by the Commission.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time, pending further discovery.

ISSUE 204: Did SBT's management know or should they have known that customers were being billed through non-contact sales for services not ordered and were appropriate actions taken?

SO.BELL: There is no evidence that Southern Bell's management, other than those disciplined, knew of, should have known, condoned or encouraged such behavior. Once such behavior was discovered by Southern Bell through its internal investigation, appropriate disciplinary measures were taken and refunds were made to customers.

OPC: Southern Bell's higher management was knowledgeable of improper billing of customers in the conduct of non-contact sales programs and failed to take action to impose proper controls and deal with customers who had been billed improperly. (Poucher).

ATTY. GEN.: Southern Bell's higher management had knowledge of improper billing of customers in connection with non-contact sales programs and failed to implement proper controls and take remedial action with respect to customers who had been victimized by improper billing.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes, SBT's management knew or should have known that customers were being billed through non-contact sales for services not ordered. Some corrective action was taken, but whether such action was sufficient and timely cannot be determined pending further discovery.

ISSUE 205: Did SBT have adequate internal controls for non-contact sales to prevent customers from being misbilled?

SO.BELL: Yes. While it is impossible to prevent every intentional improper act, the controls Southern Bell had in place allowed it, once a problem was discovered, to identify the employees who acted improperly.

OPC: Southern Bell failed to enact adequate controls in its non-contact sales programs to insure that customers were not billed improperly for services they did not order and did not want. (Poucher).

ATTY. GEN.: Southern Bell failed to have adequate internal controls in place to protect customers from being improperly billed for services they did not order or desire.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: SBT's internal controls were inadequate to prevent customers from being misbilled.

ISSUE 206: Did SBT's employees take any other inappropriate actions in regard to marketing and sales of telephone services? If so, what was the impact and what action should the Commission take?

SO.BELL: No. Thus, no further action should be taken by the Commission.

OPC: Southern Bell Service Representatives have continued to abuse customers by their "hard sell tactics," to the detriment of the service

representatives' primary responsibility, which is to provide service to the public. The Commission should impose specific new controls to protect customers from the company's "hard sell tactics" and its emphasis of sales above service. (Cooper, Poucher).

ATTY. GEN.: Southern Bell service technicians, as opposed to customer service representatives, engaged in boiler room selling activities in connection with the sale of optional services, which had a negative impact on their ability to install and repair telephone equipment. In addition to effecting sales of optional services by hard sell, misleading sales tactics, service representatives actually fabricated sales by simply taking a list of subscribers and adding and billing for services never ordered or desired by the customers. The Commission should impose specific new controls and eliminate incentive regulation to remedy the aforementioned misconduct in the future.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes, SBT's employees appear to have taken other inappropriate actions regarding marketing and sales. The extent, impact and corrective actions cannot be determined, pending further discovery.

LEGAL
ISSUE 207: If SBT did charge customers through non-contact sales for services not requested and/or took any other inappropriate actions in its marketing and sales of telephone services, did these actions violate Chapter 364, Florida Statutes, or Commission Rules?

SO. BELL: No.

OPC: Chapter 364.03 of the Florida Statutes requires that all charges made by telephone companies should be fair, just, reasonable and sufficient. In addition, it requires that Telephone Company service shall be adequate and sufficient. PSC rule 25-4.107(1) requires that the customer be informed of each optional service and its price. By allowing customers to be billed for services they did not order and did not want, the company violated Florida Statutes and the rules of this Commission. (Poucher).

ATTY. GEN.: Chapter 364.03, Florida Statutes, requires that all charges made by telephone companies be fair, just, reasonable, and sufficient, and that service be adequate and sufficient. Rule 25-4.107(1), Florida Administrative Code, requires that a customer be informed of each optional service and its price. Southern Bell's fraudulent sales of optional services and misdirection of service representatives constitutes a violation of Florida Statutes and rules of the Commission.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUES IN DOCKET NOS. 910163-TL AND 910727-TL

ISSUE 301: Did any of SBT's employees misreport or otherwise miscode trouble reports?

SO.BELL: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

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OPC: Position stated in subissues below.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUE 301a: If so, how?

SO.BELL: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees.

Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

OPC: Southern Bell employees miscoded trouble reports through a wide variety of methods and procedures, resulting in the filing of false reports with the PSC. (Poucher).

ATTY. GEN.: Southern Bell employees misreported and miscoded trouble reports by a variety of methods and filed these false reports with the Commission. One method was to back date the "CLEAR" and "CLOSED" times on the trouble report. Another method utilized was called "building the base."

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Employees of Southern Bell have used several procedures to miscode trouble reports. Listed below is a list of these procedures.

1. Backing up clearing times
2. Improper statusing of trouble reports as out of service, service affecting or employee reports
3. Improper use of CON status
4. Changing of commitment times without Customer's knowledge
5. Improper use of No Access
6. Improper exclusion of trouble reports
7. Improper use of Test OK Codes
8. Misuse of Employee Codes

ISSUE 301b: How widespread were such activities?

SO. BELL: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

OPC: Miscoding (falsification) of trouble reports and the resulting misreporting of results to the PSC was widespread, affecting subscribers throughout the state and significantly misstating the service reports provided by the company to the PSC. (Poucher).

ATTY. GEN.: Falsification of trouble reports and the resulting misreporting of the results to the Commission was widespread, affecting customers throughout the state.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: The activities appear to be statewide.

ISSUE 301c: Did Southern Bell take timely action to stop the practices?

SO.BELL: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance

Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

OPC: Southern Bell failed to take timely action to deal with improper activities of its maintenance organization in the handling of trouble reports and repair performance. (Poucher).

ATTY. GEN.: Southern Bell and its high level management failed to take timely and adequate action to prevent recurrence of the falsification of repair records even after becoming aware of it through their own personnel and staff reviews.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No.

ISSUE 302: Has SBT violated any Commission Rules or Florida Statutes in regard to its repair and rebate operations? If so, what?

SO.BELL: No. Any errors were not made by the Company, but rather by individual employees acting contrary to Company policy.

OPC: Chapter 364.03(1) of the Florida Statutes requires that all services rendered by Telephone Companies should be fair, just, reasonable and sufficient. The company violated Florida Statutes and PSC rule 25-4.070(1), (3), (5) and (9) requiring telephone companies to meet specific repair standards, keep accurate records and make periodic reports to the PSC. (Poucher).

ATTY. GEN.: Chapter 364.03(1), Florida Statutes, requires that all services rendered by Telephone Companies be fair, just, reasonable, and sufficient. Southern Bell has violated this statute as well as Rule 25-4.070(1), (3), (5), and (9), and Rule 25-4.0185, Florida Administrative Code, requiring the Company to meet specific repair standards, keep accurate records, and make periodic reports to the Commission.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. Southern Bell violated Commission Rules 25-4.018 (Periodic Reports), 25-4.070 (Customer Trouble Reports), 25-4.0770 (Customer Appointments) and 25-4.110 (Customer Billing).

ISSUE 303: Did SBT's management encourage behavior that led to any violations of Commission Rules or Florida Statutes in regard to its repair and rebate operations? If so, how?

SO. BELL: No. There is no evidence that Southern Bell's management, other than those who were disciplined, knew of, should have known, condoned, or encouraged such behavior. Once such behavior was discovered by Southern Bell, appropriate disciplinary measures were taken.

OPC: Southern Bell management created and condoned a working environment that allowed and encouraged employees to falsify repair records and rebates to customers. (Poucher).

ATTY. GEN.: Southern Bell management encouraged the behavior that led to falsification of repair records in violation of Florida Statutes and Commission Rules in regard to its repair and rebate operations. Managers were told their jobs depended on compliance with service objectives and that reporting compliance was more important than actual compliance. Also management failed to provide adequate maintenance personnel to actually meet service objectives while emphasizing the importance of reporting compliance. Furthermore, management ignored staff reviews showing the misconduct and stifled internal investigation.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. The company's management encouraged and pressured installation and maintenance employees to meet the FPSC objectives. These actions led to some employees falsifying trouble reports.

ISSUE 304: Has SBT filed any inaccurate Commission Forms PSC/CMU 28 (12/86) or Schedules 2, 11, 17, or 18?

SO.BELL: Yes. There are six cases wherein the Schedule 11 needs to be corrected. These six cases are set out in Company Witness Tubaugh's testimony filed on July 12, 1993.

OPC: Southern Bell filed incorrect service reports to the PSC that included falsified repair records. In addition, the company manipulated the reports provided the Commission to its own advantage and failed to impose suitable management controls to attain a satisfactory level of confidence in the accuracy of its reports and records. (Poucher).

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. Southern Bell has filed incorrect schedules with this Commission since at least January 1989.

ISSUE 304a: If so, how?

SO.BELL: There are six cases wherein the Schedule 11 needs to be corrected. These six cases are set out in Company witness Tubaugh's direct testimony filed on July 12, 1993.

OPC: See position on Issue 304.

ATTY. GEN.: Southern Bell has filed service reports that included falsified repair reports. The reports show repairs performed in less than 24 hours when they were not timely repaired, as well as timely

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repair of equipment not reported as out of service
by the customer.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: It appears that Southern Bell has not corrected Commission Forms PSC/CMU 28 (12/86) for all miscoding errors and claims of improper activity discussed in the company's reviews and the depositions taken in this docket. In addition, it appears that the method by which Southern Bell calculates some of the information in these schedules is wrong and therefore the schedules are incorrect.

ISSUE 304b: Has Southern Bell filed corrected Quarterly Reports?

SO.BELL: As Southern Bell witness A. Wayne Tubaugh's direct testimony, filed on July 12, 1993, states, Southern Bell will be correcting six Schedule 11 reports.

OPC: See position on Issue 304.

ATTY. GEN.: The accuracy of Southern Bell's Quarterly Reports is suspect due to impaired credibility engendered by past falsification.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No.

ISSUE 304c: If not, what actions should the Commission take?

SO.BELL: No action need be taken by the Commission.

OPC: See position on Issue 304.

ATTY. GEN.: Strict management controls should be imposed upon Southern Bell by the Commission to assure the filing of accurate reports.

AARP: No position at this time.

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AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Due to the age and unavailability of the information, staff believes it is impossible for Southern Bell to correct these forms/schedules. Staff believes that for future schedules Southern Bell should remove all excluded trouble reports from the base of Out-of-Service trouble reports when calculating the FPSC indexes. In addition, the Commission should require Southern Bell to file with the Commission a copy of every review done on Southern Bell's repair operations (including DLETHs). At the time of filing these reviews, Southern Bell should indicate any change the deviations may cause in the FPSC indexes.

ISSUE 305: Did Southern Bell Telephone and Telegraph Company have sufficient controls in place to detect or prevent any possible repair and rebate falsification from occurring? If not, where and how were the controls insufficient?

SO. BELL: Yes. In addition, while it is impossible to prevent every improper act, the controls Southern Bell had in place allowed it to identify the employees who acted improperly once a problem was discovered.

OPC: Southern Bell did not have adequate controls in place to prevent falsification of trouble reports and repair records. Internal controls within the maintenance operating system (LMOS) were insufficient, allowing certain individuals to easily compromise the system. System controls, such as audits and service observing, were inadequate to prevent wide-scale abuse and falsification to occur. (Poucher).

ATTY. GEN.: Southern Bell did not have adequate controls in place to prevent falsification of trouble reports and repair records. Internal controls within the maintenance operating system were insufficient, and system controls, such as audits and service observing were inadequate. Additionally, high level management ignored evidence contained in Southern Bell's own Staff Reviews and stifled its internal investigation of the fraudulent practices.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No. The company did not have sufficient controls in several areas such as access to the Loop Maintenance Operational System (LMOS), Verification of Codes input into the LMOS system and the lack of network reviews through Southern Bell's service territory.

ISSUE 306: Under what circumstances have rebates been improperly denied to Southern Bell Telephone and Telegraph Company's customers, if any?

SO.BELL: None. As stated in Company Witness Ivy's testimony filed on July 2, 1993, Southern Bell knows of no instances where customers were deliberately denied rebates. Further, as a result of the settlement agreement with the Office of Statewide Prosecution, Southern Bell paid certain of its customers \$3,005,000 for trouble issues.

OPC: Rebates have been denied customers who were out of service over 24 hours and not notified until after the initial 24 hour period that the fault was in the customer's equipment. Rebates have been denied to customers by closing out trouble reports before the trouble was repaired. Rebates have been denied customers by classification of service outages as "service affecting" troubles, not subject to rebates. Rebates have been denied customers due to internal coding of the company that precluded a rebate, even though it was due. (Poucher).

ATTY. GEN.: Rebates have been denied customers who were out of service over 24 hours and not notified until after the initial 24 hour period that the fault was in the customer's equipment. Rebates have been denied to customers by closing out trouble reports before the trouble was repaired. Rebates have been denied customers by classification of service outages as "service affecting" troubles, not subject to rebates. Rebates have been denied customers due to internal coding of the Company that precluded a rebate, even though it was due.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Southern Bell's customers have been improperly denied rebates for certain customer premises equipment (CPE) related trouble reports that are out-of-service over 24 hours. In those cases where the problem was not isolated to the CPE in the first twenty-four hours, the customer should have received a rebate. In addition to not rebating the CPE trouble reports properly, Southern Bell failed

to rebate repeat reports that were out-of-service for several days. The company also has not rebated some customers due to improper activity identified in Issue 301.

ISSUE 307: Were customers denied rebates due to mismanagement, if any, by Southern Bell Telephone and Telegraph Company?

SO.BELL: No.

OPC: Customers were denied rebates because of mismanagement. The falsification of repair records was intended to falsely give the appearance of meeting PSC standards, but these activities also resulted in failure to rebate customers for service outages. (Poucher).

ATTY. GEN.: Customers were denied rebates as a result of mismanagement by Southern Bell. Falsification of repair records was promoted and fostered by management, and denial of rebates was a necessary consequence of the management pressure to show compliance with service objectives. Alternatively, higher level management was negligent in failing to exercise adequate supervisory control over middle and lower level management to assure ethical and legal operation of the Company.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUE 308: Should Southern Bell Telephone and Telegraph Company be prospectively required to rebate out-of-service over 24 hours reports for the full period of the outage under Rule 25-4.110 (2) by rounding up each pro rata portion of a 24 hour period to equal one full day?

SO.BELL: No. Southern Bell already properly rebates out-of-service conditions.

OPC: The Commission should clarify the intent of Rule 25-4.110(2) to require that Southern Bell and all other Telephone Companies calculate rebates to provide 1/30th of the monthly rate for each day, or fraction thereof, when the company fails to repair a service outage within the objective 24 hour interval. (Poucher).

ATTY. GEN.: The Commission should clarify the intent of Rule 25-4.110(2), F.A.C., to require that Southern Bell and all other Telephone Companies must calculate rebates to provide 1/30th of the monthly rate for each day, or fraction thereof, when the company fails to repair a service outage within the 24 hour target.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No. Southern Bell should rebate outages in accordance with Rule 25-4.110 (2).

ISSUE 309: Should Southern Bell be required to file a report with the Commission for rebates given to customers due to these investigation dockets? If so, what should be contained in the report?

SO.BELL: No.

OPC: Southern Bell should be required to file a report of all rebates provided to customers as a result of the investigative dockets, including the telephone number, the date of the rebate, the amount of the rebate, the reason for the rebate and the time period when the error occurred. Due to the passage of time and the absence of all records, it is impossible for this Commission to determine all instances where customers may have been overbilled by the company. (Poucher).

ATTY. GEN.: Southern Bell should be required to file a report of all rebates provided to customers as a result of the investigative dockets, including the telephone number, date of rebate, amount of rebate, reason for the rebate, and the time period during which

the error occurred. Due to the passage of time and the absence of all records, it is impossible for the Commission to determine all instances where customers may have been overbilled by the Company.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

MCCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes, Southern Bell should be required to file a report which contains the amount rebated by network management number.

ISSUE 310: Should the Commission modify Southern Bell Telephone and Telegraph Company's reporting requirements, document retention policy or make any other changes?

SO.BELL: No. Southern Bell has implemented numerous changes to its procedures and systems to ensure the quality and accuracy of its trouble reporting and rebate processes. These changes are subject to a

semiannual audit by an outside accounting firm. No other procedures or changes are necessary.

OPC:

The Commission should require the company to retain all repair and rebate documents for a minimum of five years, including all documentation of internal and external review, service observations and audits. In addition, the Company should be required to retain customer service records for five years, in order to deal with problems resulting from overbilling of customers.

The Commission should hold this docket open for the Company, the PSC Staff and Intervenors to engage in workshops in an attempt to mutually develop new and adequate controls to protect consumers and insure a satisfactory level of confidence and integrity in maintenance of service. (Poucher).

ATTY. GEN.:

The Commission should require the Company to retain all repair documents for a minimum of five years, including all documentation of internal and external review, service observations and audits. The Company should also be required to retain customer service records for five years, in order to address problems resulting from overbilling of customers.

The Attorney General joins with Public Counsel in requesting the Commission to hold this docket open for the Company, Commission staff and all other parties to engage in workshops in an attempt to develop new and adequate controls to protect consumers and insure a satisfactory level of confidence and integrity in maintenance of service.

AARP:

No position at this time.

AT&T:

No position at this time.

BROWARD
COUNTY:

No position at this time.

DOD/FEA:

No position at this time.

FCAN: No position at this time.
FCTA: No position at this time.
FIXCA: No position at this time.
FLA AD HOC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: Yes.

GENERAL ISSUES PERTAINING TO DNS 910163, 900960, AND 920260

ISSUE 401: Has SBT refunded the appropriate amounts due in order to make its customers whole for the Dockets listed below? If not, what action should the Commission take?

SO.BELL: Yes. No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

OPC: Because of widespread falsification of reports and records, it is impossible to determine whether customers have been made whole. (Poucher).

ATTY. GEN.: The Settlement Agreement between Southern Bell and the Office of Statewide Prosecution provided for appropriate refunds to customers. The Commission should offer its assistance in assuring that the Company executes its obligations under the Settlement Agreement and to assure that the Company has diligently identified all customers entitled to refunds.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes, the Commission should order a penalty of at least 100 basis points.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 401a: Docket No. 900960-TL; Non-Contact Sales.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

OPC: See position on Issue 401.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time, pending further discovery.

ISSUE 401b: Docket No. 910163-TL; Repair.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

OPC: See position on Issue 401.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No. Staff believes that it is impossible to identify customers who deserve a rebate due to improper coding activity of Southern Bell employees. If a specific customer is identified as not being rebated due to improper activities then Southern Bell should provide an appropriate rebate.

ISSUE 401c: Docket No. 910727-TL; Rebate.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, Moore, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

OPC: See position on Issue 401.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Southern Bell's customers have been improperly denied rebates for certain customer premises equipment (CPE) related trouble reports that are out-of-service over 24 hours. In those cases where the problem was not isolated to the CPE in the first twenty-four hours, the customer should have received a rebate. In addition to not rebating the CPE trouble reports properly, Southern Bell failed to rebate repeat reports that were out-of-service for several days. The company also has not rebated some customers due to improper activity identified in Issue 301.

ISSUE 402: Has SBT taken adequate steps to prevent any recurrence of these inappropriate activities, if any, and, if not, what should the Commission require SBT to do to prevent these inappropriate activities from occurring again for the dockets listed below?

SO.BELL: Yes. No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedures and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

OPC: Not only has SBT failed to take adequate steps to prevent recurrence of such activities; these activities have continued at least in part during 1993. The Commission should hold this docket open for the company, the PSC staff and intervenors to engage in workshops in an attempt to mutually develop new and adequate controls to protect consumers and insure a satisfactory level of confidence and integrity in maintenance of service. (Poucher).

ATTY. GEN.: The Company has taken some steps to prevent a recurrence of the inappropriate activities as required by the Settlement Agreement. The Review Program imposed by the Settlement Agreement requires Southern Bell to implement certain described systems, operations, ethics, sales incentive and sales programs by specific implementation dates during a three year Review Period. It is recommended that the Commission impose substantially similar monitoring and review requirements on a permanent or extended basis after the three year Review Period.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

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MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 402a: Docket No. 900960-TL; Contact and Non-Contact Sales.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

OPC: See position on Issue 402.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: SBT has taken some corrective action, but whether such action was sufficient and timely cannot be determined pending further discovery.

ISSUE 402b: Docket No. 910163-TL; Repair.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

OPC: See position on Issue 402.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

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SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 402c: Docket No. 910727-TL; Rebate.

SO.BELL: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

OPC: See position on Issue 402.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

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DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL
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SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 403: Should the Commission penalize SBT for poor quality of service, mismanagement, or violations, if any, of Commission Rules and Florida Statutes for the dockets listed below? If so, how?

SO. BELL: No. Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

OPC: Yes, the Commission should order a mismanagement penalty of 100 basis points for falsification of repair records and reports, and an additional 100 basis point mismanagement penalty for fraudulent sales practices. A penalty for poor quality of service is also appropriate. (Poucher).

ATTY. GEN.: Southern Bell should be penalized one percent on return of equity for five years for falsification of repair records and one percent on return of equity for five years for fraudulent sale of optional services. Similar substantial penalties should also be assessed in the Quality of Service and Rebate dockets.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

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FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes.

ISSUE 403a: Docket No. 900960-TL; Non-Contact Sales.

SO.BELL: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

OPC: See position on Issue 403.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

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DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL
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FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

ISSUE 403b: Docket No. 910163-TL; Repair.

SO.BELL: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

OPC: See position on Issue 403.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

ISSUE 403c: Docket No. 910727-TL; Rebate.

SO.BELL: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

OPC: See position on Issue 403.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

ISSUE 403d: Docket No. 920260-TL; Quality of Service

SO. BELL: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

OPC: See position on Issue 403.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

ISSUE 404: Did SBT's settlement with the Office of Statewide Prosecutor sufficiently compensate potentially affected subscribers so that no additional compensation for subscribers is warranted for the dockets listed below?

SO.BELL: Yes. Customers affected by the rebate were compensated. Further, the \$3.76 paid per trouble report was more than four times the average rebate required to be paid pursuant to the Commission's Rules. With regard to the non-contact sales problem, all persons who could possibly have been affected were compensated, even those who were given the opportunity but never indicated that they had a problem.

OPC: Because of widespread falsification of reports and records, it is impossible to determine whether customers have been sufficiently compensated. (Poucher).

ATTY. GEN.: The settlement with the Office of Statewide Prosecution compensated only those subscribers identified. Due to the poor record retention of Southern Bell and its lack of credibility, it is impossible to identify all customers who are due refunds. Therefore, it is imperative that a

penalty be assessed for the benefit of all customers.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 404a: Docket No. 900960-TL; Non-Contact Sales.

SO.BELL: With regard to the non-contact sales problem, all persons who could possibly have been affected were compensated, including those who were given the opportunity to indicate that they had a problem but never did so.

OPC: See position on Issue 404.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

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AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 404b: Docket No. 910163-TL; Repair.

SO.BELL: Customers who may have been affected were compensated. Further, the \$3.76 paid per trouble report was more than four times the average rebate required to be paid pursuant to the Commission's Rules.

OPC: See position on Issue 404.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

FIXCA: No position at this time.

FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No position at this time.

ISSUE 404c: Docket No. 910727-TL; Rebate.

SO.BELL: Customers who may have been affected were compensated. Further, the \$3.76 paid per trouble report was more than four times the average rebate required to be paid pursuant to the Commission's Rules.

OPC: See position on Issue 404.

ATTY. GEN.: No position at this time.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: No position at this time.

FCTA: No position at this time.

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DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL
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FIXCA: No position at this time.
FLA AD HOC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: No position at this time.

DN 920260-TL: Quality of Service

ISSUE 39: Is Southern Bell's quality of service adequate?

SO.BELL: Yes.

OPC: No. The current quality of service of Southern Bell violates Commission rules and is woefully inadequate. The Commission should not close this docket until the company provides a satisfactory quality of service. (Poucher).

ATTY. GEN.: Southern Bell's quality of service is not adequate.

AARP: No position at this time.

AT&T: No position at this time.

BROWARD
COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: As pointed out by the Statewide Grand Jury investigation, no.

FCTA: No position at this time.

FIXCA: No position at this time.

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FLA AD HOC: No position at this time.

FPTA: No position at this time.

McCAW: No position at this time.

MCI: No position at this time.

SPRINT: No position at this time.

STAFF: No. Periodic reports show that SBT did not meet the standards for repair in any of its repair centers for the third quarter, 1993.

ISSUE 39a: Do Rules 25-4.070 & 25-4.110 require SBT to provide a rebate for an out-of-service condition when the company fails to notify, within 24 hours of the trouble report, that the trouble is located in the Customer Premises Equipment (CPE)?

SO.BELL: No.

OPC: Yes.

ATTY. GEN.: Rules 25-4.070 and 25-4.110, F.A.C., require Southern Bell to provide a rebate for an out-of-service condition when the Company fails to notify, within 24 hours of the trouble report, that the trouble is located in the Customer Premises Equipment (CPS).

AARP: No position at this time.

AT&T: No position at this time.

BROWARD COUNTY: No position at this time.

DOD/FEA: No position at this time.

FCAN: Yes.

FCTA: No position at this time.

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FIXCA: No position at this time.
FLA AD HOC: No position at this time.
FPTA: No position at this time.
McCAW: No position at this time.
MCI: No position at this time.
SPRINT: No position at this time.
STAFF: Yes.

VII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Reid	SO. BELL	<u>(WSR-1)</u>	Cost of Service Trend
Reid	SO. BELL	<u>(WSR-2)</u>	Adjusted Intrastate Amounts
Reid	SO. BELL	<u>(WSR-3)</u>	Incentive Sharing Plan
Reid	SO. BELL	<u>(WSR-4)</u>	(Appendix 1) Florida Public Service Commission Telephone Earnings Surveillance Reports
Sims	SO. BELL	<u>(NHS-1)</u>	Expanded Local Service Rate Center to Rate Center Mileage Illustration
Sims	SO. BELL	<u>(NHS-2)</u>	Florida Illustrative General Subscriber Services Tariff

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Sims	SO. BELL	<u>(NHS-3)</u>	Impact of Southern Bell's Proposal on Existing Optional EAS Plans and Local Exceptions for Optional Measured Service Plans
Sims	SO. BELL	<u>(NHS-4)</u>	Present and Proposed Rates and Revenue - FX and Foreign Company Service
Sims	SO. BELL	<u>(NHS-5)</u>	Switched Access Rate Comparison (FGD)
Sims	SO. BELL	<u>(NHS-6)</u>	Service Connection Charges - Price Out of Proposed Rates Changes Annualized for 1993 Restructure Proposal
Sims	SO. BELL	<u>(NHS-7)</u>	Present and Proposed Rates and Revenues - Miscellaneous Service Arrangements
Keck	SO. BELL	<u>(WBK-1)</u>	Average Capital Structure
Keck	SO. BELL	<u>(WBK-2)</u>	Cost Rate for Long -Term Debt
Keck	SO. BELL	<u>(WBK-3)</u>	Average Cost Rate for Short-Term Debt
Keck	SO. BELL	<u>(WBK-4)</u>	Overall Cost of Capital
Tubaugh	SO. BELL	<u>(AWT-1)</u>	Telsam Residence and Business - Southern Bell 1988-1991

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Tubaugh	SO. BELL	<u>(AWT-2)</u>	Total Received Cases 1989-1992
Billingsley	SO. BELL	<u>(RSB-1)</u>	Discounted Cash Flow Analysis for Comparable Firm Group
Billingsley	SO. BELL	<u>(RSB-2)</u>	Expected Market Risk Premium
Billingsley	SO. BELL	<u>(RSB-3)</u>	(Appendix A) Witness Vita
Billingsley	SO. BELL	<u>(RSB-4)</u>	(Appendix B) Comparable Firm Identification Criteria and Methodology
Billingsley	SO. BELL	<u>(RSB-5)</u>	(Appendix C) Estimation of the Cost of Equity Capital Using the Expected Market Risk Premium Approach
McClellan	SO. BELL	<u>(JDM-1)</u>	Florida Attrition Analysis - Revenue Impact of Attrition
McClellan	SO. BELL	<u>(JDM-2)</u>	Florida Attrition Analysis - Analysis Data 1989-1991
McClellan	SO. BELL	<u>(JDM-3)</u>	Florida Attrition Analysis - Trend Line Data
McClellan	SO. BELL	<u>(JDM-4)</u>	Florida Attrition Analysis - Capital Cost Data

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
McClellan	SO. BELL	<u>(JDM-5)</u>	Florida Attrition Analysis - Capital and Investment Data
McClellan	SO. BELL	<u>(JDM-6)</u>	Florida Attrition Analysis - Depreciation Expenses
McClellan	SO. BELL	<u>(JDM-7)</u>	Florida Attrition Analysis - Incremental Changes 1994 over 1993
McClellan	SO. BELL	<u>(JDM-8)</u>	Florida Attrition Analysis - Summary of Components
McClellan	SO. BELL	<u>(JDM-9)</u>	(Appendix A) Credentials
Denton	SO. BELL	<u>(DBD-1)</u>	Personal Qualifications
Cooper	OPC	<u>(MC-1)</u>	Composite exhibit attached to testimony
Currin	OPC	<u>(JC-1)</u>	Composite exhibit attached to testimony
DeWard	OPC	<u>(TD-1)</u>	Composite exhibit attached to testimony
Dismukes	OPC	<u>(KD-1)</u>	Composite exhibit attached to testimony
Poucher	OPC	<u>(EP-1)</u>	Composite exhibit attached to testimony
Rothschild	OPC	<u>(JR-1)</u>	Composite exhibit attached to testimony
Stewart	OPC	<u>(SS-1)</u>	Composite exhibit attached to testimony

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Maloy	ATTY. GEN.	<u>(MRM-1)</u>	Resume of Michael R. Maloy
Maloy	ATTY. GEN.	<u>(MRM-2)</u>	Final Report of the Tenth Statewide Grand Jury
Maloy	ATTY. GEN.	<u>(MRM-3)</u>	Advisory Opinion of the Tenth Statewide Grand Jury
Maloy	ATTY. GEN.	<u>(MRM-4)</u>	Chronological Summary of Key Dates
Maloy	ATTY. GEN.	<u>(MRM-5)</u>	Tifford letter to U.S. Attorney and F.B.I.
Maloy	ATTY. GEN.	<u>(MRM-6)</u>	Composite exhibit of Tifford/F.B.I. correspondence
Maloy	ATTY. GEN.	<u>(MRM-7)</u>	Tifford/Falsetti Complaint to F.C.C.
Maloy	ATTY. GEN.	<u>(MRM-8)</u>	F.C.C. letter to Tifford forwarding complaint to FPSC
Maloy	ATTY. GEN.	<u>(MRM-9)</u>	Alan Taylor letter to Tifford
Maloy	ATTY. GEN.	<u>(MRM-10)</u>	PSC Customer Trouble Reports Rules
Maloy	ATTY. GEN.	<u>(MRM-11)</u>	Calculation of Percentage of out-of-service timely repaired
Maloy	ATTY. GEN.	<u>(MRM-12)</u>	Sample Trouble Report

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Maloy	ATTY. GEN.	<u>(MRM-13)</u>	Settlement Agreement between Southern Bell and Office of Statewide Prosecution
Maloy	ATTY. GEN.	<u>(MRM-14)</u>	Customer Complaints filed at the PSC
Maloy	ATTY. GEN.	<u>(MRM-15)</u>	Sample of Trouble Reports
Maloy	ATTY. GEN.	<u>(MRM-16)</u>	Staff Reviews for years 1988, 1989, and 1990 for the Miami Metro Maintenance Center
Maloy	ATTY. GEN.	<u>(MRM-17)</u>	Staff Review for years 1988 and 1990 for the North Dade Maintenance Center
Maloy	ATTY. GEN.	<u>(MRM-18)</u>	Sworn Statements given to the Attorney General by witnesses 2 through 14 listed above
Cicchetti	FCTA	<u>(MAC-1)</u>	Composite Exhibit Schedules 1-14
Gillan	FIXCA	<u>(JPG-1)</u>	Qualifications, Publications, and Testimony of Joseph Paul Gillan
Gillan	FIXCA	<u>(JPG-2)</u>	Excess InterLATA Fiber Capacity; Comparing Dark to Lit Fiber
Gillan	FIXCA	<u>(JPG-3)</u>	InterLATA Capacity; Measured in DS-3s and Minutes/Month Compared

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Cornell	MCI	<u>(NWC-1)</u>	Biography of Nina W. Cornell
Cornell	MCI	<u>(NWC-2)</u>	SB's Switching Technology Assumptions and 1993-1997 Network Strategic Plan to Florida Toll Market
Rock	SPRINT	<u>(FR-1)</u>	Composite exhibit attached to testimony
Devlin	Staff	<u>(TD-1)</u>	Audit Report and associated workpapers
Dismukes	Staff	<u>(DED-1)</u>	Stimulation Analyses
Dismukes	Staff	<u>(DED-2)</u>	Descriptive Statistics of So. Bell MTS Routes
Howell	Staff	<u>(EH-1)</u>	Rebate Findings - Aug 1990 Data
Howell	Staff	<u>(EH-2)</u>	Rebate Findings - April 1992 Data
Howell	Staff	<u>(EH-3)</u>	Troubles Reviewed by Area Code
Howell	Staff	<u>(EH-4-EH-14)</u>	DLETHs and Billing Information
Howell	Staff	<u>(EH-15)</u>	Consumer Complaint Findings
Howell	Staff	<u>(EH-16)</u>	Record Comparison
McDonald	Staff	<u>(DBM-1)</u>	Periodic Reports 1991 -93

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
McDonald	Staff	<u>(DBM-2)</u>	Complaint Activity
McDonald	Staff	<u>(DBM-3)</u>	Answer Time Study
McDonald	Staff	<u>(DBM-4)</u>	Service Evaluation - May 11 thru July 17, 1992
McDonald	Staff	<u>(DBM-5)</u>	Service Evaluation - July 12 thru Sept. 2, 1993
McDonald	Staff	<u>(DBM-6)</u>	Weighted Index
McDonald	Staff	<u>(DBM-7)</u>	Order No. 24746
McDonald	Staff	<u>(DBM-8)</u>	Weighted Index Across Time
McDonald	Staff	<u>(DBM-9)</u>	Response to Service Evaluation
Neil	Staff	<u>(RDN-1)</u>	ROE Analyses
Panagiotopoulos	Staff	<u>(CP-1)</u>	CPR Audit Report and associated workpapers
Pruitt	Staff	<u>(NP-1)</u>	So. Bell Logged Complaints
Pruitt	Staff	<u>(NP-2)</u>	So. Bell Complaint Rate by Type
Pruitt	Staff	<u>(NP-3)</u>	Complaints Calendar Year 88-92
Pruitt	Staff	<u>(NP-4)</u>	Justification Calendar Year 88-92

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Pruitt	Staff	<u>(NP-5)</u>	1993 Complaints Jan - Oct
Sirianni	Staff	<u>(MRS-1)</u>	Audit Report and associates workpapers
Vinson	Staff	<u>(CSV-REP-1)</u>	Audit Report: Repair Process Controls
Vinson	Staff	<u>(CSV-SAL-1)</u>	Audit Report: Non-Contact Sales Incentive Program Controls
Vinson	Staff	<u>(CSV-SAL-2)</u>	Contact Sales Methods and Controls
Young	Staff	<u>(RY-1)</u>	WASSP Audit Report and associated workpapers
Welch	Staff	<u>(KW-1)</u>	Rate Case Audit Report and associated workpapers
 <u>REBUTTAL</u>			
Hoeltke	SO. BELL	<u>(GMH-1)</u>	Field Final - November 8, 1993
Hoeltke	SO. BELL	<u>(GMH-2)</u>	Major and Minor Results (Residential Customers - Weighted Data)
Hoeltke	SO. BELL	<u>(GMH-3)</u>	Other Results (Residential Customers - Weighted Data)
Hoeltke	SO. BELL	<u>(GMH-4)</u>	Major and Minor Results (Business Customers - Weighted Data)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hoeltke	SO. BELL	<u>(GMH-5)</u>	Other Results (Business Customers Weighted Data)
Tubaugh	SO. BELL	<u>(AWT-1)</u>	Telsam Residence and Business Overall Satisfied
Tubaugh	SO. BELL	<u>(AWT-2)</u>	Letter dated November 11, 1993 to Alan Taylor from A. Wayne Tubaugh; Agenda Conference July 21, 1993 Transcript
Weitz	SO. BELL	<u>(BAW-1)</u>	VITA
Zarakas	SO. BELL	<u>(WPZ-1)</u>	Alternative Regulatory Frameworks
Zarakas	SO. BELL	<u>(WPZ-2)</u>	Renewal Actions Alternative Regulatory Frameworks
Sappington	SO. BELL	<u>(DS-1)</u>	David E. M. Sappington
Monson	SO. BELL	<u>(CSM-1)</u>	Calvin S. Monson
Monson	SO. BELL	<u>(CSM-2)</u>	Florida Cable Subscribers Served by Major MSOs
Billingsley	SO. BELL	<u>(RSB-6)</u>	Discounted Cash Flow Analysis for Comparable Firm Group
Billingsley	SO. BELL	<u>(RSB-7)</u>	Expected Market Risk Premium

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Billingsley	SO. BELL	<u>(RSB-8)</u>	Rothschild DCF Results
Reid	SO. BELL	<u>(WSR-5)</u>	Cost of Service Trend
Reid	SO. BELL	<u>(WSR-6)</u>	Issue Summary
Reid	SO. BELL	<u>(WSR-7)</u>	Comments of Citizens of the State of Florida
Reid	SO. BELL	<u>(WSR-8)</u>	Correction of Amortization Expense
Reid	SO. BELL	<u>(WSR-9)</u>	Calculation of Income Taxes; 1993 Intrastate
Reid	SO. BELL	<u>(WSR-10)</u>	Analysis of Voucher Charles listed on OPC Witness Deward's Schedule 34
Reid	SO. BELL	<u>(WSR-11)</u>	Annual Report of Southern Bell- Fla.
Reid	SO. BELL	<u>(WSR-12)</u>	Comparison of Directory Advertising Calculations
Reid	SO. BELL	<u>(WSR-13)</u>	Response to WASSP Audit
Reid	SO. BELL	<u>(WSR-14)</u>	Response to Rate Case Audit
Reid	SO. BELL	<u>(WSR-15)</u>	Response to CPR Audit

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Delahanty	SO. BELL	<u>(ELD-1)</u>	Selected Utility Clients of Hewitt Associates Executive Compensation Practice
Delahanty	SO. BELL	<u>(ELD-2)</u>	1993 Benefit Index Study Comparator Group
Delahanty	SO. BELL	<u>(ELD-3)</u>	Telecommunications Roundtable Survey Executive/Upper Management Positions
Delahanty	SO. BELL	<u>(ELD-4)</u>	Telecommunications Roundtable Survey Middle Management /Supervisory / Professional Positions
Delahanty	SO. BELL	<u>(ELD-5)</u>	1992 Total Compensation Measurement Study
Branch	SO. BELL	<u>(JBB-1)</u>	Southern Bell Telephone and Telegraph Company Square Feet Leased at the Campanile Building
Branch	SO. BELL	<u>(JBB-2)</u>	Memo dated 11/24/92 from Frances Dennis regarding Review of BSC's Lease at Campanile
Branch	SO. BELL	<u>(JBB-3)</u>	Campanile FDC Analysis
Branch	SO. BELL	<u>(JBB-4)</u>	Warehouse FDC Analyses with working capital removed

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Branch	SO. BELL	<u>(JBB-5)</u>	Jacksonville Warehouse FDC with reduced land value
Branch	SO. BELL	<u>(JBB-6)</u>	Summary of Quantified Recommended Disallow- ances/Adjustments
Branch	SO. BELL	<u>(JBB-7)</u>	R&D Percent Allocated to Regulation
Branch	SO. BELL	<u>(JBB-8)</u>	Account 6727 for 1992
Branch	SO. BELL	<u>(JBB-9)</u>	Allocation Method for Regulated and Non- regulated Research
Branch	SO. BELL	<u>(JBB-10)</u>	Campanile Stacking Plan
Branch	SO. BELL	<u>(JBB-11)</u>	BSC Fully Distributed Costs Analysis Estimates
Branch	SO. BELL	<u>(JBB-12)</u>	Telephone Directory Printers
Branch	SO. BELL	<u>(JBB-13)</u>	Leading Directory Printers
Branch	SO. BELL	<u>(JBB-14)</u>	Telephone Directory Publishers
Budd	SO. BELL	<u>(SPB-1)</u>	BellSouth HQ Corporate Services
Budd	SO. BELL	<u>(SPB-2)</u>	BSC HQ Cost Allocation Bases
Wilson	SO. BELL	<u> </u>	Company's Comments

(JLW-1)

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

Staff is still in the process of identifying all of the exhibits it intends to utilize in this proceeding (in addition to those sponsored by its own witnesses). Staff will supply a tentative list of such exhibits to the parties prior to the hearing.

VIII. PROPOSED STIPULATIONS

Staff is not aware of any issues that have been stipulated at this time. However, staff believes that the following issues could be stipulated by the parties: Issue 28c, Issue 30d, and Issue 36.

IX. PENDING MOTIONS

1. OPC's Motion to Impose a Penalty on Southern Bell for Filing and Failing to Correct False Information, filed July 21, 1992, will be decided by the full Commission, following the evidentiary hearing, as part of its decision on all of the issues in these dockets.

2. OPC states that there are a number of appeals concerning discovery matters currently awaiting a ruling from the Florida Supreme Court. Should the Commission and the Citizens prevail in whole or in part, the Citizens will need additional time to review the documents and deposition answers withheld so far by Southern Bell, follow up on those documents and answers with additional discovery, and file additional testimony.

3. There are several Requests for Confidential Classification and Motions for Temporary and Permanent Protective Order filed by Southern Bell and pending before the Prehearing Officer. In addition, there are several Motions for Reconsideration filed by Southern Bell and pending before the full Commission. These are expected to be resolved prior to the hearing.

4. Southern Bell and OPC's Joint Motion to Approve Stipulation and Agreement, filed January 5, 1994, will be taken up

by the full Commission on January 18, 1994, as will their Joint Motion for Continuance of Hearings and Stay of Discovery, filed

January 5, 1994, as well as AARP and FCAN's Motions Supporting Approval of Settlement Agreement, filed January 5 and 6, 1994, respectively.

X. RULINGS

1. OPC's Oral Motion for access to the "NARUC", WASSP, and CPR audits was granted at the December 20th Prehearing Conference. Access to these audits and the associated workpapers shall be granted under the same terms and conditions specified in Order No. PSC-93-1730-CFO-TL.

2. FCTA's Motion for Additional Time to Respond to Staff's Interrogatories was granted at the January 6th Prehearing Conference.

3. FCAN's Motion to Accept Late-Filed Prehearing Statement was granted at the January 6th Prehearing Conference.

4. At the January 6th Prehearing Conference, it was ordered that discovery would be stayed until the Commission votes on January 18th; if the discovery will still be necessary, it will then be due by 5:00 p.m. on January 19, 1994. Depositions may be scheduled on January 19, 20, and 21, 1994, by those parties who specifically requested such authority from the Prehearing Officer during the January 6th Prehearing Conference.

5. Since none of the parties objected, Broward County was granted permission during the January 6th Prehearing Conference to late-file its prehearing statement.

6. An additional issue, Issue 17u, was added at the January 6th Prehearing Conference. Parties wishing to take a position on this issue shall file their positions by the close of business on January 11, 1994. This new issue reads as follows:

ISSUE 17u: What action, is any, should be taken to account for Southern Bell's possible failure to produce information in a timely manner to the auditors?

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It is therefore,

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 13th day of January, 1994.


SUSAN F. CLARK, Commissioner and
Prehearing Officer

(S E A L)
ABG/TH/RRP/JLW:bmi

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060,

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Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.